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No. 21775  
IN THE  
**United States Court of Appeals**  
FOR THE NINTH CIRCUIT

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MONOLITH PORTLAND MIDWEST COMPANY, a Nevada  
corporation,

*Appellant,*

*vs.*

KAISER ALUMINUM & CHEMICAL CORPORATION, *et al.*,  
*Appellees.*

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**VOLUME I.**  
**APPELLEES' BRIEF.**

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**JURISDICTION AND THE PARTIES.**

Appellant (sometimes referred to herein as "Plaintiff" or "Monolith") has correctly stated the nature and jurisdictional basis of the action.

Appellees (successful Defendants below) are correctly identified in Appellant's brief [p. 2] and will at times hereinafter be referred to collectively as "Appellees" or "Defendants". The term "Kaiser" will be used herein to designate either or both of the Defendant Kaiser companies where no distinction is required in context.

**STATEMENT OF THE CASE.**

Appellant's statement of the case while generally correct is unduly terse and fails to apprise this Court of many important aspects of the trial below.

Manifestly, this appeal is directed primarily to the award of attorneys' fees made in favor of Appellees by the trial court.\* The award of attorneys' fees herein was grounded generally on the bad faith of the Plaintiff, not only in its fraudulent conduct before the Patent Office, but in the manner in which it presented its case in the trial below. See Memorandum of Decision R\*\*3707-8.

By so preparing and presenting its case that it was impossible during discovery or during the trial itself for either the court or counsel to separately treat the "confidential disclosure" and fraudulent patent claims, [Supplemental Memorandum of Decision R 4665], Plaintiff managed to parlay a trade secret case, the merits of which could easily have been tried in a week or less, into an almost interminable patent trial, the monstrous record of which is now before this Court.

Because the primary issue before this Court involves, in very important measure, Plaintiff's conduct and its manner of presentation below, a statement of the proceedings in the trial court, in somewhat greater than usual detail, is required and is set forth as follows.

### **The Original Complaint.**

On June 6, 1958, Appellant-Plaintiff instituted this action alleging confidential disclosure to Defendant Olive\*\*\* in 1954, and subsequent misappropriation by Defendants of Plaintiff's "valuable information" which,

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\*Note that Appellant concedes that at least 103 out of the 145 pages of its Brief are devoted to the subject of attorneys' fees without reaching "the issues relating to the merits of this case." Brief, p. 103.

\*\*The letter "R" refers to the Record on Appeal, "SR" to the Supplement to the Record on Appeal dated August 11, 1967, "Tr." to the Reporter's Transcript of Proceedings, "STr." to the post-trial transcript and "Ex." to exhibit.

\*\*\*Named but never served.

it was further alleged, was the subject of Plaintiff's pending patent application. The complaint further alleged wrongful use of such information by embodying the same in a particular type of rotary kiln liner which Defendant Kaiser manufactured and sold and on which Kaiser had obtained U. S. Letters Patent No. 2,829,877\* on an invention of Defendant Davis. No answer to the original complaint was filed.

### **The Amended Complaint — Patent Infringement Charged.**

On July 21, 1959, U. S. Letters Patent 2,895,725\*\* issued to Plaintiff on the application referred to in the original complaint. Said patent, allegedly covering the invention of Plaintiff's employee, Frank J. Anderson, issued on an application filed December 26, 1956 as a continuation-in-part of Plaintiff's earlier application filed February 4, 1955 (hereinafter called the "parent" application).

Shortly after the Anderson patent issued to Plaintiff, the complaint was amended and supplemented to add a count for patent infringement.

### **The Answer.**

Issue was joined on Plaintiff's amended complaint and Defendants' Answer thereto (filed February 10, 1960). The Answer was in effect a general denial and also raised—among others—the affirmative defense that the patent had been obtained by means of misrepresentations made to the Patent Office during prosecution of the application therefor. Defendants sought—in addition to dismissal of the action, and costs,—an award of attorneys' fees.

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\*Hereinafter referred to as the "Davis patent" (not in suit).

\*\*Hereinafter referred to as the "Anderson patent" or the "patent in suit".

Following the filing of the Answer, considerable discovery ensued, accounting for some 611 pages of the Record, exclusive of deposition transcripts.

### The Motion for Summary Judgment.

On November 22, 1961, Defendants filed a Motion for partial Summary Judgment seeking judgment of invalidity of the patent in suit under 35 USC 102(b) (public use or sale more than one year prior to the application date). In support of their motion, Defendants submitted affidavits and business records showing several sales and uses of the accused device all more than one year prior to December 26, 1956, the date of Anderson's continuation-in-part ("C-I-P") application (*but not*, it should be noted, prior to the parent application).

Plaintiff, on January 25, 1962, filed its opposition to the Motion for Summary Judgment arguing in substance that the motion should be denied because two "genuine" issues of fact required plenary trial including expert testimony, to wit:

1. Was the invention of the claims in issue, as contended by Plaintiff, disclosed in the *parent* application thus entitling Plaintiff to an effective filing date of February 4, 1955 and avoiding the statutory bar?
2. Were the sales and uses shown by Defendants' affidavits, as contended by Plaintiff, "experimental" and thus not within the statute?

Plaintiff submitted counter-affidavits purporting to raise the above noted issues and argued that it could and would submit evidence at trial to support its contentions. Plaintiff also argued that in any event, the six causes of action were interrelated, and the same basic facts were integral to all causes thus rendering partial Summary Judgment inappropriate and requiring that all

causes be tried together. The motion was heard on January 11 and July 20, 1962.

The trial court took the Summary Judgment motion under submission and, on September 28, 1962, denied it [R 1103] stating in effect that there remained for trial issues as to “experimental” use vs. sale and “public use” and as to whether or not essential elements of the claims in issue were disclosed in Anderson’s parent application and carried over into the C-I-P.

Again, considerable discovery ensued accounting for some 469 further pages of record, again exclusive of transcripts of depositions and court hearings.

### The Pre-Trial Conference.

On October 9, 1963, after two preliminary conferences in chambers, an eleven day pretrial conference was held. During this conference, the court attempted to crystallize and delineate Plaintiff’s contentions and claims and narrow the issues to be tried. Also during pretrial, Plaintiff, by leave of court and over Defendants’ objections, amended the complaint to allege a first disclosure of its valuable information in 1953 instead of in 1954, as originally alleged.

During pretrial, Defendants urged the court to direct an order of proof which would have enabled the court to consider separately and initially the question of the statute of limitations, thus, if it found in Defendants’ favor, to eliminate the confidential information causes and confine the trial on the merits, to the patent cause. R 1573 *et seq.* Again, Plaintiff argued that Defendants were attempting to “fragment” the case and that it would be highly unjust to Plaintiff to segregate the issues or consider them separately. R 1639 *et seq.*

Accordingly, the court denied Defendants’ request for a directed order of proof.



At the conclusion of the eleven day conference, a pre-trial order of 116 pages including exhibits was entered on November 8, 1963. SR 30-149.

### The Presentation of Plaintiff's Case.

Trial commenced on November 8, 1963 and proceeded (with some interruptions due to matters outside the present record) until May 1, 1964 at which time Plaintiff rested. During the presentation of Plaintiff's case, some 14 witnesses testified at trial and five by deposition and approximately 300 physical and documentary exhibits were introduced, some of them constituting files having hundreds of pages therein.

### The Motion to Dismiss.

At the close of Plaintiff's case, Defendants submitted a Motion under Rule 41(b) F.R.C.P. to dismiss all but the patent count on the grounds that Plaintiff had failed to make out a case of misappropriation of confidential information.

The Rule 41 Motion was briefed by both parties [See SR 150, Defendants' 111 page printed brief and R 2445, Plaintiff's 295 page typed brief], was argued on July 10, 1964 [Tr. pp. 5775 through 5937] and taken under submission by the Court.

One of the arguments strongly urged by Plaintiff in opposition to the Rule 41 motion was: "The patent and non-patent causes of action are . . . inextricably intermingled and cannot, consistent with substantial justice, be considered and decided separately" [R 2450-2465.]

On September 30, 1964, the court denied Defendants' Rule 41 motion without comment.\*

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\*One of the reasons for denying the Rule 41 motion was made clear by the court at a post-trial hearing on October 6, 1966 STr. 62 *et seq.* At page 26 of the transcript of that



## The Balance of the Trial.

After a trial which together with the pretrial conference extended over some twenty months and consumed 100 court days, the Court on June 7, 1966, rendered a decision in favor of Defendants on all six causes of action. The court also found the case to be "exceptional" within the meaning of 35 USC 285 specifically stating as the basis for such finding that:

1. Plaintiff obtained its claims through fraudulent representations to the Patent Office\*, to wit:
  - (a) Deliberate concealment of statutory bars;
  - (b) Falsehoods in a Petition to Make Special;
  - (c) Misrepresentations as to "unexpected results"; and
  - (d) False statements of novelty in an affidavit by one Oscar Wicken procured by Plaintiff and filed in the Patent Office.

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hearing [Post Trial Tr. 85], the court said, in effect, that to eliminate the trade secret causes by a dismissal at that stage would still leave the patent defenses to be tried which would then permit Plaintiff to introduce in rebuttal, evidence which had been excluded during the Plaintiff's case. Such evidence, Plaintiff assured the court, would plug any apparent loopholes in Plaintiff's case in chief.

However, the court went on to point out [Post Trial Tr. 86] that when the time for rebuttal arrived the promised evidence was not forthcoming. This the court obviously viewed as an additional instance of Plaintiff's pursuing a cause beyond the point where it was obviously hopeless. See Finding 133(a).

\*The Court's statement in its Memorandum of Decision that it was adopting Defendants' proposed finding *re* fraud [See R 3706] is an obvious reference to the proposed findings set forth in Defendants' post-trial brief which was submitted to the court *prior* to final argument and thus, of course, long prior to the Memorandum of Decision. Defendants' opening post-trial brief appears in the Record commencing on page R 3119 and at pp. 88 through 144 [herein referred to as R 3119/pp. 88 through 144] thereof appears Defendants' analysis of how the evidence supports the finding of fraud. See also p. 3 [R 3119/p. 3] as to the nature and intent of the "Proposed Finding" headings used in the brief.

2. The litigation was unduly prolonged by:
  - (a) Plaintiff's reluctance to disclose what claims Plaintiff intended the counts of the complaint to embrace;
  - (b) Plaintiff's frustration of the purpose of pretrial; and
  - (c) Plaintiff's adopting of extreme positions and strained constructions of the evidence.

The trial court included in its memorandum an order that a separate hearing be had on the amount of reasonable attorneys' fees to be awarded and that additional evidence would be received at said hearing.

### Post-Trial Proceedings — Attorneys' Fees and Findings.

On July 15, 1966, Defendants lodged their proposed formal Findings of Fact, Conclusions of Law and Judgment pursuant to Local Rule 7. On the same date, Defendants requested a hearing and order on the amount of attorneys' fees to be awarded and submitted their *prima facie* showing and a brief in that regard. R 3709 through 3782. August 8, 1966 was set as the date for hearing the matter of attorneys' fees but at Plaintiff's request, this date was further continued—first to October 19 and then to November 28, 1966.

In the time intervening between July 15, 1966 when the findings were lodged and November 28, 1966 when the matter of attorneys' fees was argued, Plaintiff associated new counsel who have conducted the case for Plaintiff from and after August 11, 1966. See R 4510

Several motions and court hearings relating to new discovery ensued and pursuant to request of new counsel and by order of the court, a great volume of documentary material bearing on the amount of attorneys' fees was made available to Plaintiff's new counsel. R 4511

New counsel also indicated that they desired to file objections to Defendants' proposed findings [Post Trial Tr. 18-19] and on August 18, 1966, the court ordered that Plaintiff's objections to the findings be filed by October 26 (later continued by the court to November 2) and that a hearing thereon would be held on November 16, 1966 (later continued by the court to December 5) See R 4538. However, in spite of the above noted request and order Plaintiff expressly declined to file any specific objection to the proposed findings. R 4640

Briefs on the attorneys' fees question were submitted by both sides [Defendants at R 4539-4567, Plaintiff at R 3910-3942] and on November 28, 1966 a hearing was held at which time evidence was received and the matter argued by counsel. The court took this question under submission.

On January 6, 1967, the court filed its Supplemental Memorandum of Decision re Attorneys' Fees [R 4665] and signed, filed, and entered the Findings of Fact, Conclusions of Law and Final Judgment. The Findings of Fact and Conclusions of Law proposed and lodged by Defendants were amended by the court and as so amended appear at R 3709 through 3762 and in the Appendix to this Brief.

The Final Judgment appears at R 4672-3 and in substance, dismisses all claims with prejudice, declares the patent claims in suit invalid and awards Defendants costs and \$280,000 as reasonable attorneys' fees.

The trial court's two Memoranda of Decision, its ruling on Plaintiff's post-trial discovery motion and its Findings of Fact and Conclusions of Law are set forth in Appellee's Appendix submitted herewith.

STATEMENT OF THE SUBJECT MATTER  
IN CONTROVERSY.

In stark contrast to the immensely complex record below\*, the alleged invention and trade secret which is the heart of the controversy is extremely simple.

Rotary kilns are large steel pipes rotating on a nearly horizontal, but slightly inclined axis used for burning, roasting, calcining, and otherwise heat treating various materials (*e.g.*, limestone to make cement). Such kilns are conventionally lined with successive rings of key-stone shaped refractory bricks and heat is applied by directing a flame of burning oil or gas up the axis of the kiln while the treated material counter-flows down the inclined kiln as it rotates. One purpose of the refractory lining is to keep the heat inside the kiln instead of permitting it to escape through the walls of the pipe or “shell” as it is called. An illustration of a typical rotary kiln is shown in the Appendix to Appellant’s Brief (Vol. II) at page 33.

In some kiln linings—usually those in which chemically “basic” or non-acid bricks are used—relatively thin flat metal plates or “shims” are conventionally placed between adjacent bricks in each ring and when heated react with the brick and fuse them together to strengthen the lining.

What has been described so far is conventional. What Plaintiff claimed to have invented is the supporting

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\*An index of the more salient papers and depositions included in the record below is set forth at R 4568 through 4590. Before the actual trial even commenced, a record of over 2280 pages (exclusive of depositions and other transcripts) had been accumulated.

of the shims between the bricks of a kiln lining in such a manner as to be out of contact with the metal shell, thus to avoid undesired transfer of heat through the shims to the shell.

The invention and “trade secret” *claimed* by Plaintiff was, by agreement of both parties, defined in the Pre Trial Order as follows:

“In the construction of rotary cement kiln hot zone linings composed of magnesite-chrome basic brick and the metal plates which were conventionally required to be used with such bricks, the flanging or attaching such plates to the hot face [the face exposed to the interior of the kiln] of such brick so as to space them, or short shim them, from the kiln shell would result in a stronger, more efficient and more durable kiln and kiln lining in operation.\*” ([....] added) SR 65

The term “spacing” has been adopted by the parties and used in the trial below to describe the kiln lining practice described above and any shim or metal plate used in such lining which is supported to effect spacing was usually referred to in the trial as a “short shim”.

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“\*Defendants, of course, do not admit that this, or any other information of plaintiff was wrongfully appropriated, or that this is in fact or law a trade secret.”

[footnote in original]

Plaintiff employed “spacing” as one feature of its so-called Anderson shim disclosed to Defendants. An illustration of the Anderson shim so disclosed is shown below in Fig. I.

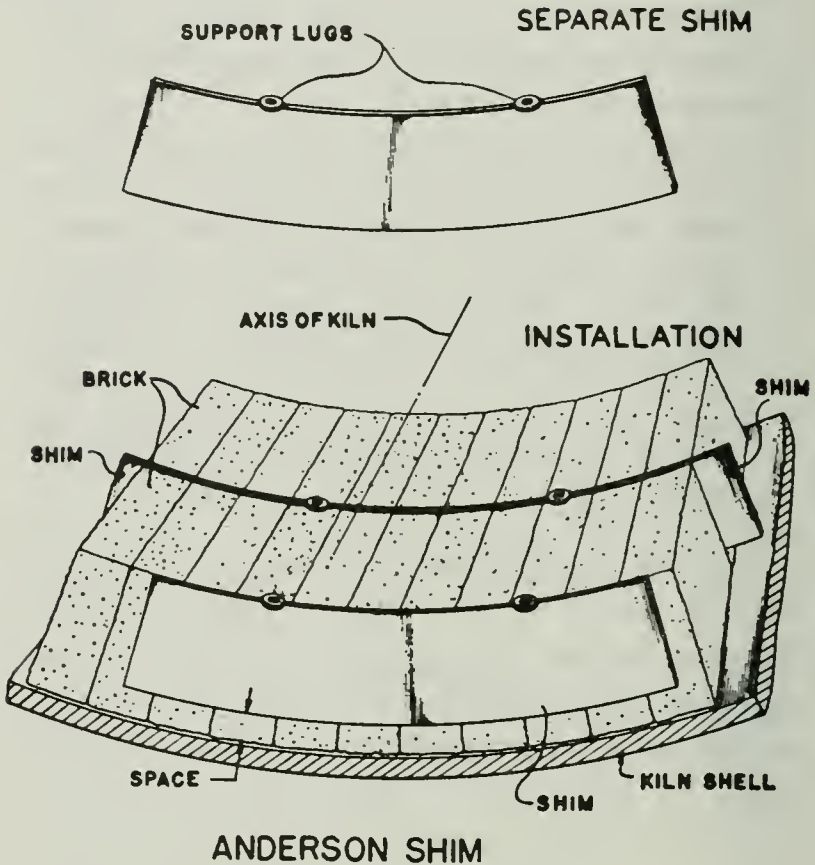


FIG. I — ANDERSON SHIM.

From Pre Trial Order Exhibits SR 100



Defendant Kaiser also employed "spacing" as one feature of its so-called UNITAB\* kiln liner. An illustration of the UNITAB liner appears below in Fig. II.

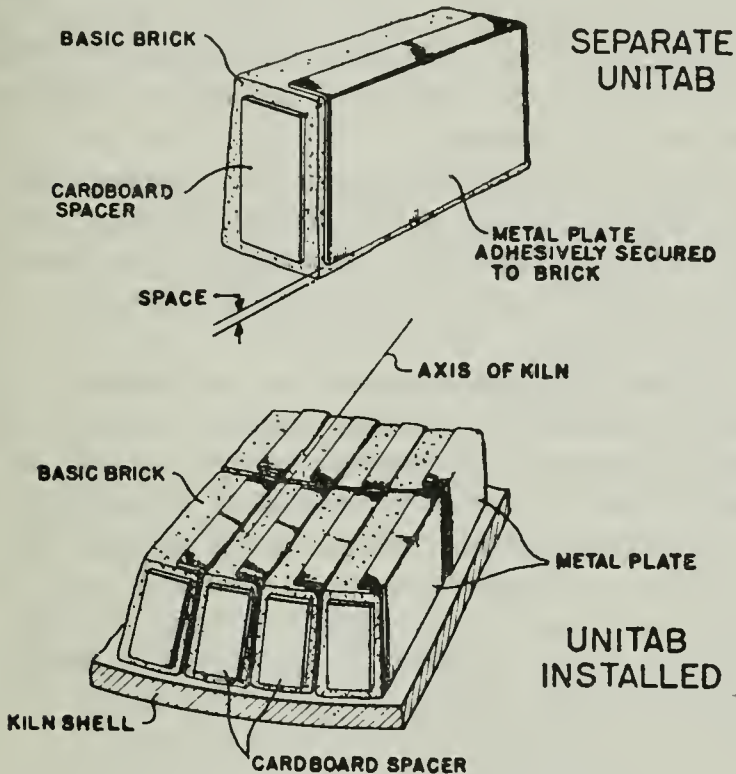


FIG. II — UNITAB KILN LINER.

From Pre Trial Order Exhibits SR 102  
(Ref. to "SPACE" added)

\*Kaiser's registered trademark adopted sometime subsequent to the first marketing of such liners.

As is apparent from a comparison of Figs. I and II, the Anderson shim and the bent plate on the UNITAB liner differ greatly in many respects, *e.g.*, size relative to the brick, orientation in the kiln, amount of spacing, means of support, adhesive attachment to the brick, etc. The only common denominator is the fact that in both cases the lower edge of the shim does not touch the kiln shell.

It is this common denominator, *i.e.*, “spacing” that constitutes the entirety of the allegedly proprietary subject matter in dispute and the allegedly novel feature of the claims in suit. It was upon this basis that the matter was tried.

Plaintiff-Appellant contends that, as between the parties at least, it discovered “spacing” and the allegedly great and “unexpected” benefits thereof and disclosed such discovery to Defendants in confidence.

Defendants-Appellees contend on the contrary that spacing is an expedient known to them and others in the industry long prior to Plaintiff’s alleged discovery, that it is, in and of itself, of relatively little benefit, and that in any event, it was not “disclosed” to Defendants by Plaintiffs in confidence or otherwise.

It is important to note that, except for the UNITAB liner and Defendant Davis’ patent covering it, Plaintiff did not at any time during trial contend, or offer evidence to show, that any other product of, or activity by Defendants constituted a misuse of any of Plaintiff’s “valuable information” or trade secret.

Thus, all questions of what constituted Plaintiff’s alleged trade secret in issue, what benefits are obtained thereby, whether or not it was disclosed, and if so whether or not such disclosure was in confidence must be considered *solely in the light of the spacing embodied in the UNITAB liner* (Fig. II).



### QUESTIONS PRESENTED.

As presently phrased, Appellant's statement of the questions presented by this appeal ignores the requirements of Rule 52(a), F.R.C.P. and is, in our view, hypothetical and out of context with the actual proceedings, findings, and judgment below. Accordingly, we restate these questions as follows:

1. In an action for patent infringement maintained in bad faith, may a plaintiff avoid imposition of an award of attorneys' fees under 35 USC 285 by joining with his action for patent infringement, an action for misappropriation of a trade secret, where the same basic facts are integral to both causes, and where the evidence and argument are co-mingled and presented by plaintiff in such a manner as to make it impossible for the trial court to segregate the same as between the two causes of action?
2. May a United States District Court in the exercise of its equity powers as to exceptional non-patent issues where justice so requires, award attorneys' fees to the prevailing party?
3. Does California law prohibit an award under point 2 above?
4. In the light of the record below are all, or any of the findings that Plaintiff engaged in conduct making this an exceptional case under 35 USC 285 "clearly erroneous"?
5. Is the finding that \$280,000 is a reasonable attorneys' fee award in this case "clearly erroneous"?

6. Are the trial court's findings that nothing concerning spacing was disclosed by Plaintiff-Appellant to Kaiser which Kaiser did not already know, "clearly erroneous?"
7. Are the trial court's findings that any communications between the parties anent spacing were not in confidence "clearly erroneous"?
8. Are the trial court's findings that Kaiser developed the UNITAB kiln liner solely from knowledge of its own or from sources other than Plaintiff-Appellant "clearly erroneous"?
9. Is Appellant's action for misappropriation of confidential information barred by the statute of limitations?

### SUMMARY OF ARGUMENT.

The Findings Supporting the Judgment Below Are Not “Clearly Erroneous” and Should Not Be Disturbed.

The findings of the trial court were made after a thorough trial and consideration of conflicting evidence both documentary and “demeanor”. The formal findings, drafted pursuant to Local Rule 7, were based upon the court’s written opinion and were carefully and thoroughly reviewed and amended by the trial court before they were signed. In short, the findings as finally adopted are the product of the court’s mind after careful consideration of all evidence bearing thereon. Moreover, although urged by the court to do so, Appellant presented no specific objection to the proposed findings in the court below, nor did it propose any counter-findings.

Every finding is clearly supported by substantial evidence and none is “clearly erroneous” or erroneous at all. The proper legal criteria were applied by the court to each finding.

Although Appellant has presented no showing that the controlling findings are “clearly erroneous” or indeed erroneous at all, the reversal sought here would require this court to reject the present findings out of hand, reweigh all of the evidence, and make new findings to support Appellant’s present contentions, some of which were not even presented to the court below. Such action would be outside normal appellate jurisdiction and in violation of Rule 52(a) F.R.C.P.

**The Grounds for Holding This Case to Be “Exceptional” Are Each and All Sufficient in Law and Clearly Set Forth in the Findings.**

The several grounds for finding this an exceptional case under 35 USC 285 are clearly stated in the written opinions of the trial court and are each and all supported by meticulously drawn findings based upon substantial evidence. Any one of such reasons stated by the trial court would, by itself, support an award of fees and taken together they show beyond doubt that the award was justified.

**The \$280,000 Award Is Justified Under 35 USC 285 Alone.**

This case, although pleaded as ostensibly separate trade secret and patent causes of action, was prepared and presented more in the nature of a single wrong with six different theories of recovery. Plaintiff's bad faith, fraud and undue prolongation of the litigation found by the court to justify an award of attorneys' fees, thus applied to all of its alleged causes of action, patent and non-patent alike. Notwithstanding its general equity power to award attorneys' fees as to non-patent issues pursued in bad faith, an issue discussed in a later section herein, the trial court expressly found the amount awarded herein, to be entirely within the provisions of 35 USC 285 permitting such awards in “exceptional” patent cases. This finding is manifestly correct for the following reasons.

From and after the filing of the first amended complaint in 1956, Plaintiff has conceived this case, including all six “causes of action” as premised on the same basic facts and has, at all times and by its own admissions, presented its case in such a manner as to inextricably combine the evidence and issues and make

it impossible to segregate the same or allocate defense services between patent and non-patent issues. Moreover, an overwhelming proportion of the services were, in fact, necessarily rendered in defense of the patent cause.

Therefore, the award of \$280,000 (out of more than \$424,000 actually paid by Defendants to their lawyers in this case) is clearly justified under 35 USC 285 alone.

### **Appellant's Confidential Information Cause Was Clearly Without Merit.**

The trial court dismissed the action for alleged misappropriation by Defendants-Appellees of Plaintiff-Appellant's allegedly valuable and confidential information (by the pretrial definition confined to "spacing") because:

- (a) Plaintiff never possessed any information *re* spacing which was of significant value and thus legally protectible.
- (b) Plaintiff never disclosed any truthful information *re* spacing to Kaiser which Kaiser did not already know but on the contrary, gave Kaiser false information *re* the value of spacing knowing the same to be false and knowing that Plaintiff possessed no evidence to support such information.
- (c) The conversations during which Plaintiff alleged such disclosures were made, were not, in fact, confidential nor were they intended or understood by either party to be such.
- (d) Defendants' UNITAB liner alleged to incorporate Plaintiff's confidential information was, in fact, developed entirely from Kaiser's own knowledge and information or that obtained from sources other than Plaintiff.

- (e) The commercial success and benefits of the UNITAB did not result in any significant degree from the use of spacing therein but from a combination of other features unrelated to spacing.
- (f) The confidential information cause was, in any event, barred by the statute of limitations.

Any one of the foregoing reasons is, by itself fatal to Plaintiff-Appellant's confidential information cause; each reason is supported by meticulously drawn findings; every one of said findings is supported by substantial evidence; and none is "clearly erroneous" or erroneous at all. The evidence supporting the foregoing findings was clear and convincing and was known to Plaintiff long before trial. Thus, Plaintiff's confidential information cause was clearly without merit and known by Plaintiff to be such long before trial.

**The Award Is Independently Justified Under the Trial Court's General Equity Powers to Compensate a Prevailing Party Subjected to Vexatious Litigation.**

In view of what is said in the immediately preceding section, Plaintiff maintained its "confidential information" action in bad faith and vexatiously. A District Court may, under its general equity powers and even in the absence of a specific statute, award counsel fees to a successful litigant where an unfounded action is brought or maintained in bad faith. An award on such basis would be proper here.

## ARGUMENT.

THE FINDINGS SUPPORTING THE JUDGMENT BELOW ARE SUPPORTED BY SUBSTANTIAL EVIDENCE, ARE NOT "CLEARLY ERRONEOUS" AND SHOULD NOT BE DISTURBED.

We begin our discussion on this point with a consideration of the rule that the findings of the trial court must stand unless "clearly erroneous". Rule 52-(a) F.R.C.P. Particularly apt in view of the lengthy record in this case is the observation of the Supreme Court:

"There is no case more appropriate for adherence to this rule [Rule 52(a)] than one in which the complaining party creates a vast record of cumulative evidence as to long-past transactions, motives, and purposes, the effect of which depends largely on credibility of witnesses."

*United States v. Oregon State Medical Soc.*, 343 U.S. 326 at 332, 72 S. Ct. 690 at 695 (1952).

In the same case the standard by which a finding may be held "clearly erroneous" is reiterated thus:

"'A finding is "clearly erroneous" when although there is evidence to support it, the reviewing court *on the entire evidence* is left with a definite and firm conviction that a mistake has been committed'. *United States v. United States Gypsum Co.*, 333 U.S. 364, 395, 68 S. Ct. 525, 542, 92 L. Ed. 746" (Emphasis added.)

*United States v. Oregon State Medical Soc.*, *supra*, 343 U.S. 326 at 339.

The one hundred and thirty-eight Findings of Fact in this case prepared, submitted and accepted in accordance with Local Rule 7 are set forth in the Appendix to this brief and are annotated to the evidence as



will be described below. They all meet and pass the above test.

The evidence as it supports the findings is discussed at considerable length by the trial court in its two Memoranda of Decision [R 3560 through 3708 and R 4665 through 4670]. Additional light is shed on the court's reasoning and analysis of the evidence by the court's Order *re* post-trial discovery entered October 17, 1966. [R 4510-4513.] These three documents are set out in the Appendix to this brief.

It should be noted that in this case, each party submitted several elaborate post-trial briefs as well as briefs on the Rule 41 motion to dismiss at the close of Plaintiff's case. These briefs are part of the Record.

Should this Court deem it necessary to review all the evidence in this case with respect to the findings challenged (either directly or inferentially) by the Appellant, we have included in the Appendix after certain of the findings we deem to be controlling, a list of references to the record below including the pages of briefs filed in the trial court which discuss the evidence in support of such findings.

Also, chronologies of the salient events, annotated to the evidence, appear in our briefs at SR 150/pp. 9-17 and R 3119, pp. 189-203.

Further, in connection with the requirements of Rule 52(a) that "due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses" we note that the trial court in its Memorandum of Decision, particularly at R 3606 and R 3684 through 3689, indicated a serious lack of confidence in the credibility of Plaintiff's witnesses. See also Finding No. 130 which is not challenged by Appellant. Some of the more cogent "abundant examples"



of the inconsistency and unreliability of Plaintiff's testimony referred to by the trial court [R 3685] are recapitulated and annotated in Defendants' post-trial briefs at SR 150/pp. 94 through 109 and R 3119/pp. 173 through 187.

As clearly documented in the above parts of the Record, the credibility of Plaintiff's key witnesses was—to put it gently—seriously in doubt and their self-serving testimony was justifiably rejected.

But contrary to Appellant's assertions on appeal, (See Appellant's brief, pp. 84-85) there was in addition to the rejected self-serving testimony of Plaintiff's witnesses, a great deal of independent evidence directly supporting the trial court's findings. This supportive evidence consisted not only of documents such as business records, correspondence and documents filed in the Patent Office, but included "live" testimony of many witnesses called by both parties which was not rejected by the court, deposition testimony, formal admissions, and stipulations.

All of the huge bulk of evidence was painstakingly analyzed, correlated and reconciled by the trial judge as explained at length in his two Memoranda of Decision. In our view, this evidence constituted much more than nominal "substantial evidence" required to prevent disturbance of the trial court's findings.

With due deference, we respectfully submit that it would be an improper application of that Supreme Court standard for this court to set aside any of the controlling findings of the trial court in this case. See *McAllister v. United States*, 348 U.S. 19, 75 S. Ct. 6 (1954) and *Guzman v. Pichirilo*, 369 U.S. 698, 82 S. Ct. 1095 (1962).

Appellant's attack on the findings below is for the most part diffuse and generalized. Understandably dissatisfied with the decision of the trial court, Appellant seeks, in effect, a trial *de novo* in this Court, pointing to fragments of the evidence which, it contends, give rise to inferences conflicting with the determinations reached by the trial court. Such re-evaluation of the evidence is clearly beyond the limitations imposed upon the appellate functions of this Court. *Cataphote Corporation v. De Soto Chemical Coatings, Inc.*, 356 F. 2d 24 at 26 (9th Cir. 1966). (Opinion amplified at 358 F. 2d 732.)

One of the propositions advanced by Appellant in support of its contention that this Court should disregard the trial court's findings and make new ones, is the assertion that much of the evidence considered by the trial court was documentary and that "findings of fact based on non-oral evidence are not binding and are given but slight weight on appeal" (Appellant's Brief, p. 84).

This contention is ill-founded, both in fact and law.

First of all, it is clear that, while documentary and physical evidence played a large part in the trial court's determination of the issues, such evidence was not considered *in vacuo* but as explained by oral testimony, deposition testimony, answers to interrogatories and the like. Thus, the trial court's consideration of the documents involved in almost every case an assessment of the credibility of the witnesses who identified and explained them. We submit that, in reviewing findings based upon such composite evidence, this Court must, under Rule 52(a), give due regard to the "opportunity of the trial court to judge of the credibility of the witnesses" who testified concerning

such documents. To make new findings based upon the documents without assessing the credibility of the explanation would violate the above noted provision of the rule.

The court's citation in its decision of Defendants' briefs [*e.g.* at R 3685] is significant. In those briefs all of the evidence oral, documentary, physical, deposition, admissions, and the like is shown to be opposed to Plaintiff's self-serving "conflicting" evidence, which in turn shows that the findings were based on far more than simple documentary evidence alone.

But assuming *arguendo* that some of the findings were based entirely on documentary evidence, Appellant misconceives the law in this Circuit when it contends that such findings are entitled to "little weight". Such findings, on the contrary, are as much subject to the "clearly erroneous" rule as those based on purely oral testimony.

This question was thoroughly considered by this Court in *Lundgren v. Freeman*, 307 F. 2d 104 (9th Cir. 1962).

The *Lundgren* case involved several appeals, one of them as to a finding of "mutual mistake", concededly based entirely on written evidence. After a thorough review of the history of Rule 52(a) and the cases on both sides of the question, this Court espoused the so-called *Clark* view (after Judge Clark, the author of the Rule), *i.e.*, that findings are not to be set aside unless "clearly erroneous", even where such findings are based upon undisputed facts (*e.g.*, documents) which the appellate court is as well qualified to evaluate as the trial court.

In short, *Lundgren*, as we understand it, stands for the rule in this Circuit that the appellate court will

not “second-guess” the trial court in its fact-finding function, even though the appellate court may be qualified to do so and even though the findings may involve no credibility questions.

The rule stated in *Lundgren* appears to have been consistently followed in this Court since it was announced. See *Nelson v. Batson*, 322 F. 2d 132 (9th Cir. 1963); *Teren v. Howard*, 322 F. 2d 949 (9th Cir. 1963); *United States v. First Security Bank*, 334 F. 2d 120 (9th Cir. 1964); *Stauffer Laboratories v. F.T.C.*, 343 F. 2d 75 (9th Cir. 1965); *Snider v. England*, 374 F. 2d 717 (9th Cir. 1967).

Another ground alleged in Appellant’s general attack on the findings is the allegation that they were prepared in proposed form by Defendants’ counsel and many were adopted without change by the trial court. See Appellant’s brief, *e.g.*, pp. 48, 49, 57, 126. Appellant’s comments are severely critical of Defendants’ counsel in their submission of proposed findings and inferentially of the trial court for adopting them.

Here again, Appellant widely misses the mark both as to the facts and as to the law.

As we earlier indicated, the findings proposed by Defendants were lodged pursuant to Local Rule 7 of the District Court.\*

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\*Local Rule 7 reads in part as follows:

“Unless the court otherwise directs, all appealable orders and all other orders orally announced in open court in any cause, shall be prepared in writing by counsel for the successful party and served and lodged with the Clerk within five days.

“In all cases requiring findings of fact and conclusions of law under F.R. Civ. P., Rule 52, the findings of fact shall be set out in concise narrative form in separately numbered paragraphs and in chronological order wherever practicable, and not by mere reference to allegations contained in pleadings.”

. . .

Plaintiff's counsel acknowledged receipt of a copy of the proposed findings, conclusions and judgment on July 15, 1966 [R 3762] and they were lodged with the Clerk on the same day.

Thereafter, although Plaintiff-Appellant requested and was given a total of over four months (Local Rule 7 provides five days) in which to do so, Plaintiff never presented either orally or in writing, any specific objection to either the form or substance of any proposed finding. Nor did Plaintiff assist the Court in any way in the formulation of findings.

It bears emphasis, moreover, that most of the proposed findings were, if not verbatim restatements of portions of the trial court's Memorandum of Decision\*, clearly based thereon or upon inferences clearly inherent therein. *Wells Benz, Inc. v. United States*, 333 F. 2d 89 at 92 (9th Cir. 1964).

And finally, it should be noted that the trial court carefully and painstakingly reviewed the proposed find-

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"Counsel, whose duty it is to prepare any such document, shall serve a copy thereof on opposing counsel either (1) by mail, in which case the original with affidavit of mailing shall be lodged with the court, or (2) by delivering the original and copy to opposing counsel, in which case said counsel shall promptly endorse on the original (1) an approval as to form, or (2) a disapproval as to form, or (3) an acknowledgment of the date and hour of the receipt of the copy thereof. The original shall then be immediately returned to counsel preparing same for filing or lodging with the court. If objections to form or substance are served and filed within the time prescribed herein, the court may thereafter require counsel to appear for a hearing thereon or may sign the document as prepared or as modified."

\*One of Appellant's more scathing denunciations of Defendants' alleged fabrication of findings "adopted verbatim by the court" appears on page 126 of Appellant's Brief and is directed at Finding 51. As is plain to anyone who takes the trouble to read the court's Memorandum of Decision, Finding 51 comprises an almost verbatim restatement of lines 23 through 28 of p. 80 [R 3639], and a fair paraphrase of lines 4 through 7 of p. 81 [R 3640], of the trial court's own language.



ings and made numerous changes and amendments therein before they were adopted. See R 3710, 3713-3716, 3720, 3722, 3724, 3727-3729, 3731, 3734, 3735, 3737, 3742, 3744, 3746, 3749-3751, 3753, 3756, 3757.

Thus, we submit that it is clear beyond question that the trial court carefully considered each of the findings before adopting the same and that said findings are clearly the product of the trial judge's mind and truly reflect the bases of his decision.

The case of *U. S. v. El Paso Natural Gas Company*, 376 U.S. 651, 84 S. Ct. 1044 (1964) cited in the footnote to page 48 of Appellant's Brief is inapposite. In that case, no opinion was written by the trial judge [376 U.S. 651 at 656 and 663.] In the case at bar, the trial court wrote a 149 page detailed Memorandum of Decision plus a five page Supplemental Memorandum setting forth in detail the bases of his decision. The formal findings, reviewed, amended and adopted by the court simply reiterate and, in some cases, explain these bases in separate paragraphs arranged in accordance with Local Rule 7 above cited.

Moreover, even in the *El Paso* case, although the Court was critical of the procedure followed in the trial court, it went on to say

“Those findings, though not the product of the district judge's mind, are formally his; they should not be rejected out-of-hand *and they will stand if supported by evidence*”. (Emphasis added.) 376 U.S. 651 at 656.

*A fortiori* the findings in this case which clearly *are* the product of the judge's mind as shown by his lengthy opinion, may not, under Rule 52(a), be rejected unless unsupported by substantial evidence or clearly erroneous.

THE GROUNDS FOR HOLDING THIS CASE TO BE  
“EXCEPTIONAL” ARE EACH AND ALL SUFFI-  
CIENT IN LAW AND CLEARLY SET FORTH IN  
THE FINDINGS.

In his first Memorandum of Decision, the trial court found this case to be “exceptional” within the meaning of 35 USC 285 for the following reasons:

1. “The plaintiff obtained its claims in suit through fraudulent representations to the Patent Office”. R 3707
2. “The litigation was unduly and unnecessarily prolonged”. R 3707

The court further identified the acts and omissions of Plaintiff which unduly and unnecessarily prolonged the trial as:

1. Reluctance to disclose just what Plaintiff’s claims were. R 3707
2. Plaintiff’s efforts during pretrial to maintain “maximum mobility”. R 3708
3. Efforts throughout the trial to conceal the objects of examination and objections. R 3708
4. The taking of extreme positions and adopting of strained constructions. R 3708

Between the dates of the first Memorandum of Decision and the Supplemental Memorandum re Attorneys’ Fees [R 4665 *et seq.*] some six months elapsed during which the attention of the trial court and that of counsel were focused on the subject of attorneys’ fees. Voluminous records of Defendants’ attorneys were produced for Plaintiff and duly considered by the court.

A hearing on the subject of attorneys' fees was held on November 28, 1966 at which time testimony and the above records and other documents were introduced in evidence. STr. 102 through 217.

Thereafter, the trial court in its Supplemental Memorandum stated in further elaboration of its earlier statements concerning the basis for an award of fees:

“... The issues should have been clarified, simplified and reduced but all efforts to accomplish this objective were frustrated”. R 4667

In view of the rule that fraud must be alleged and proved with particularity, Defendants pursuant to Local Rule 7, proposed, and the court, after careful review and revision, adopted detailed findings as to Plaintiff's fraud on the Patent Office. See Findings 100 through 129.

The trial court also made explicit findings as to the other reasons for holding the case to be “exceptional” See Findings 132(b) through (e), 133, 134, 135 and 136.

These findings are each and all supported by substantial evidence and as the trial court summarized the fraud evidence:

“... the fact that the Patent Office was not told the then known truth is inescapable” R 3706

The limitations imposed upon the length of this brief do not permit a detailed review of the evidence supporting the fraud findings. However, such analysis appears in our post trial briefs at R 3119/pp. 88 through 144 and R 3370/pp. 50 through 66. Additional supporting evidence will be discussed below.



### Plaintiff's Concealment of Statutory Bars.

We turn first to Plaintiff's deliberate acts which concealed the fact that the subject matter claimed for the first time in the C-I-P (Continuation-in-Part) application (new matter) had been on sale and in public use more than one year prior to such application. See Finding 21.

Appellant now seeks to avoid the consequences of this fraud by a two pronged argument that (1) there was no new matter in the C-I-P and (2) even if there was new matter the prior uses were "experimental" and thus not within the statute.

### There Was New Matter Inserted in the C-I-P Application, the Claims in Issue Depend Thereon, and Plaintiff Knew This at the Time of Filing the C-I-P.

One of Plaintiff's more egregious frauds was Anderson's oath accompanying the December 1956 C-I-P application which stated in part:

" . . . that as to the subject matter of the present application not common to the prior application [new matter], I do not know and do not believe that the same was ever . . . in public use or on sale in the United States for more than one year prior to the present application . . ." [ . . . ] added. See Finding 102(b).

Anderson, of course *did* know that the UNITAB was on sale in mid 1955 and both Rentsch and O'Brian knew that the C-I-P claims depended upon new matter. [Exhibits JS and LS discussed below.]

Appellant now seeks to avoid the effects of this falsehood by an argument that the claims in issue do not, in fact, depend upon new matter or at least that its agents reasonably believed so when the C-I-P and other sworn statements were filed in the Patent Office. This same argument was presented in detail to the trial court and was rejected. There is, apart from Rentsch's\* exculpatory testimony which was rejected by the court, not an iota of evidence in the record to support Plaintiff's argument.

To start with, there is very substantial evidence to support the findings that the claims in issue *do* in fact depend upon new matter in the C-I-P. See Findings 80 through 87. *None of these findings is specifically challenged or even mentioned in Appellant's brief.* A detailed discussion of the "new matter" evidence with appropriate citation to the Record appears in our post trial briefs at R 3119/pp. 63 through 68 and R 3370/pp. 40 through 44.

Moreover, the record and evidence are clear that Plaintiff recognized at the time the C-I-P was filed, that at least one of the claim elements, *i.e.*, the so-called "uniform composition throughout" character of the brick [see Findings 80, 81] would be considered by the Patent Office to be "new matter"—even with respect to the parent application. *Ipso facto* it would be new matter in the C-I-P. See Findings 102(a) and (b),

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\*Rentsch was the manager of Plaintiff's patent department and described by Plaintiff's counsel as Plaintiff's attorney-in-fact in its dealing with the Patent Office. Affidavit of Elliott R 1348 at 1349. He executed and filed a total of five affidavits in the Patent Office. R 1930, 1947, 1979, 2051 and 2055. (The Patent Office files of the two Anderson applications are a part of the Record herein, see R 1895 to 2277.) The Trial Court aptly described Rentsch as Plaintiff's "principal affidavit maker", [R 1401] chief negotiator and foremost in importance among Plaintiff's witnesses. R 3685

Defendants' post-trial brief, R 3119/pp. 91-92, Exhibits JS and LS. It was Plaintiff's express intent in filing the C-I-P to avoid having to argue the "new matter" question raised by the Patent Office. O'Brian: Tr. 9254. The reason for this desire to avoid the argument in the Patent Office is obvious from the record. It was an argument which was bound to lose. Plaintiff already lost the argument once when it tried to introduce the same "new matter" into the parent case. See Examiner's rejection R 2276.

After considerable discussion at the "executive level" [Tr. 10572-10573, 10600-10609] it was decided to file the C-I-P in order to "eliminate the problem of new matter".

Appellant speculates [Brief, p. 72] that the Patent Office Board of Appeals analysed the belatedly filed Halstead Affidavit [R 2229]; detected a possible statutory bar; reviewed the entire record of both the parent and C-I-P application with a view to determining whether or not the Examiner was correct in rejecting the addition of "uniform composition throughout" as new matter; and thereafter overruled the Examiner *all without one word concerning this operation appearing in the Board's opinion or anywhere else in the Record.*

This is sheer fantasy.

The Board of Appeals is an appellate tribunal and like this Court decides questions put before it. It does not ordinarily raise, let alone decide, questions not raised by one of the parties below, *i.e.*, the applicant or the Examiner. And if it does raise new issues, it remands the matter for further consideration by the Examiner. It certainly does not resolve them *in pectore* as Appellant postulates here.

See 35 USC 7 which provides in part that the Board “shall review adverse decisions of examiners”. In this case, there was no “adverse decision” as to new matter in the claims here in issue for the Board to review because applicant had concealed pertinent facts from the Examiner who thus had no occasion to decide whether the “uniform composition” limitation was new matter in the C-I-P or not.

Appellant’s reference to the Halstead Affidavit merely underlines Rentsch’s perfidy in dealing with the Patent Office. The facts which Appellant says are apparent in the Halstead Affidavit—*i.e.*, the commercial sale of short shimmed basic brick in mid 1955—were known to Rentsch *in detail* many months if not years before the Halstead Affidavit was filed. Certainly they were known before Plaintiff’s Appeal Brief was filed with the Board. Goldman Report Exhibits PM and PN. Yet, in spite of that knowledge, Plaintiff waited until the last possible moment to file the Halstead Affidavit, thus making sure that it would not come to the attention of the Examiner. And the deception was compounded by accompanying the Halstead Affidavit with a demonstrably false statement of reasons for delay in filing it\*. R 2227-2228

Thus, we believe, it is clear beyond question that Plaintiff-Appellant, including its executives charged with the responsibility of determining the “theory of the facts and law” in the premises [Finding 101, Exhibit 1080] clearly understood that what the Patent Office at least, regarded as new matter, was inserted in the C-I-P and that December 26, 1956 and no earlier date

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\*See final paragraph on R 2228. While it may be true that “applicant’s patent attorneys did not know the evidence would be available”, this state of ignorance was directly chargeable to Rentsch who *did* know about the evidence *months* prior to the Appeal Board hearing but suppressed it.

was therefore the effective filing date for any claims based on such new matter. It is in the light of that *scienter* on Plaintiff's part that its representations to the Patent Office and to the court below must be viewed.

**Appellant's Contention That Defendants 1955 Sales and the Customer's Uses of UNITAB Liners Were Reasonably Thought to Be "Experimental", Is Another Exculpatory Fabrication Unsupported by Fact or Law.**

The other leg of Appellant's argument attacking the findings of fraudulent concealment of statutory bars is that all of the sales of short shimmed brick prior to December 1955, (the statutory bar date) and all uses of brick so sold were "experimental" and thus, under the rule of *Elizabeth v. Pavement Co.*, 97 U.S. 126 (1878), did not constitute a statutory bar. See Appellant's Brief, pp. 51-65. This, in turn, argues the Appellant, makes its misrepresentations of fact as to these prior uses immaterial.

This argument (sans any credible evidence to support it) was presented and reiterated at length by Plaintiff during the trial. It was rejected by the trial court which on the basis of documentary and testimony evidence found the sales and uses *not* to be within the "experimental" exception to the statute. See Memorandum of Decision R 3703-3704, Findings 99, 121(c).

Appellant argues here that the above findings against experimental use may be ignored because, it is contended, the term "experimental use" is "in context, nothing more than a legal conclusion", Appellant's Brief, p. 50.

This argument is directly contrary to the law as recently stated by this Court in *Cataphote Corporation*

*v. De Soto Chemical Coatings, Inc.*, 356 F.2d 24 (9th Cir. 1966), opinion amplified at 358 F. 2d 732 (9th Cir. 1966). Precisely, the same argument was presented in the *Cataphote* case, *i.e.*, that the question of “experimental” use *vel non* was a matter of law and Rule 52(a) thus inapplicable. This Court rejected the contention, saying:

“The determination of whether appellant’s activities prior to the critical date were merely experimental or were of the kind set out in section 102(b) is a matter left for the consideration of the trier of fact. The resolution of this question depends principally upon a careful examination of each item of evidence and an evaluation thereof to judge the *nature and purpose of the course of conduct of the purported patent holder*. We cannot accept appellant’s characterization of this problem as one involving a matter of law, and, therefore, one free of the limitations imposed on an appellate court when reviewing the factual determinations of the court below.” (emphasis added) 356 F. 2d 24 at 26.

The circumstances show that if any “experiment” was involved in the case at bar, it was, as this Court and other courts have termed it, “typical of ‘a trader’s and not an inventor’s experiment’ and ‘such a use does not carve an exception out of the statute’ ”.

*Cataphote, supra*, 356 F. 2d 24 at 27.

In an effort to bring itself within the ambit of “an inventor’s experiment” Plaintiff advanced the fanciful contention that Defendants’ sales were reasonably be-



lieved by Plaintiff to be “field trials” conducted on behalf of *Plaintiff*!

The trial court emphatically rejected this contention by showing that it was “incredible” in the light of the facts known to Plaintiff, particularly the sketch of Kaiser’s commercial product then on sale which was shown to Rentsch in June of 1955 and from which he and Anderson secretly concluded “infringement”. See Memorandum of Decision, R 3649-3650.

Appellant’s new counsel advance still another untenable argument concerning the uses found to be statutory bars. It is now argued that Kaiser sold only the brick and short shim elements of the claim and not an entire kiln, so the *invention* was not “on sale”, but only a part of it.

In making this argument, Appellant apparently overlooks the fact that the court has found that if Plaintiff’s claims were valid, they would be infringed by a sale of the UNITAB brick and shim combination. The sale of this same article has been found in fact and law to be a statutory bar. Under the well established maxim “that which infringes if later, anticipates if earlier” this finding and the conclusion based thereon are clearly correct.

The sale of the short shimmed UNITAB liner for the express purpose of lining a cement kiln was obviously a sale of the invention claimed. *Tool Research & Engineering Corp. v. Honcor Corp.*, 367 F. 2d 449 at 453 (9th Cir., 1966).

The only case cited by Appellant in support of its new contention that the sale of the essential parts only



of the claimed invention is not a statutory bar is *Hemphill v. Jordan*, 86 F. Supp. 248 (M.D. N.C. 1949), a mutilated portion of the opinion being quoted on page 52 of Appellant's brief. An important part of the quoted paragraph is omitted (through inadvertence, we believe) without so indicating:

See “. . . and *could not have arrived there prior to February 3, 1932* [the statutory bar date]. Consequently, the mere shipment of these parts in un-assembled condition on January 30, 1932 . . .” omitted from the third from last line of the quote. (emphasis and [. . .] added) 86 F. Supp. at 251.

Thus, it is clear that in the *Hemphill* case the putative statutory bar sale was held not to be such because it was not early enough, not, as Appellant contends, because only a part of the claimed invention was sold.

Appellant further argues that in the circumstances of this case even a “trader's experiment” by Kaiser's customers should be considered an exception to 35 USC 102 and not a statutory bar.

It is contended, moreover, that Plaintiff was prevented by the trial court from showing that the uses by Southwestern and Riverside (Kaiser customers) were experiments by those respective customers—as opposed to experiments by or on behalf of Kaiser.

This argument too is without merit, both as to law and fact. What this Court said about “trader's experiments” in *Cataphote, supra* (356 F. 2d 24 at 27), demolishes any legal basis for the contention. Additionally, it is clear in the record that trial counsel's offer always was that he would prove his hypothesis that it was Kaiser's experiment, *i.e.*, an experiment made in a customer's kiln for and on behalf of *Kaiser* who, so it was contended, was conducting “field trials” for Plaintiff. See Mr. Elliott's arguments to the

Court, Tr. 5048 and 5056, and his question to Mr. Woodward, Tr. 5063 and 5064. See also "Issues Tendered by Plaintiff", Pretrial Conference Order Exhibits SR 118. The court, over Defendants' objection [Tr. 5050-5051], did *not* prevent Plaintiff's counsel, Mr. Elliott, from questioning Mr. Woodward as to Plaintiff's hypothetical "experiment" theory. The witness's answer demolished the hypothesis [Tr. 5064] and Plaintiff's counsel abandoned the inquiry.

In any event, assuming *arguendo* that the first Southwestern installation [April 1955, see Tr. 5064] was an experiment on its part such experiment was over by June 1955 and Southwestern concluded it would thereafter order short shims only. See Tr. 5082, 5083. The use between June and December 26, 1955 would, even under Plaintiff's unproven hypothesis, be a statutory bar. See Pretrial Stipulation of Facts, SR 87.

In an effort to support its "experimental use" excuse for concealing the statutory bar of the sale to Riverside Cement Co., Appellant quotes from an affidavit of Riverside employee, John Sauer [Appellant's Brief, p. 59] and characterizes this as "testimony" (Brief p. 60) supporting its contention.

The quoted affidavit, prepared by Plaintiff's counsel for Sauer's signature, was presented in opposition to Defendants' Motion for Summary Judgment and is not, of course, admissible evidence at the trial, nor was it even offered as such.

See 4 Moore's Federal Practice, 2767 (2nd Ed.) and Rule 43(a), F.R.C.P.

Furthermore, Sauer testified at trial for Plaintiff and was never even asked if the 1955 sales and uses were experimental. In fact, his testimony was just the opposite. On cross-examination, Sauer explained [Tr.

5158-5168] that he had first considered the possibility of using short shims in June of 1954 and thereafter experimented with some short shims of a type suggested by Kaiser's representative Ford. Sauer had these short shims made in a machine shop in San Bernardino. As a result of such experiment in 1954, Sauer decided what he wanted and ordered short shimmed unitary liners from Kaiser in February 1955. Findings 54 and 56. See Pretrial Conference Order SR 75.

Thus, it is clear from Sauer's testimony that, as the trial court found [Finding 99], all of the Kaiser sales to Riverside Cement Co. in 1955 and all of the uses of the products so sold were within the statute and were not "experiments"—by anybody. All of these facts were freely available to Plaintiff and were, or should have been, ascertained when Sauer was interviewed by Plaintiff's counsel. See Tr. 5170-5171.

Summarizing as to this point, it is clear that the "experimental use" theory of Plaintiff was nothing more than a hypothesis adopted hastily to meet Defendants' motion for summary judgment. The hypothesis had and has no foundation in fact as Plaintiff's own witnesses amply demonstrated.

It bears emphasis that once Defendants showed a *prima facie* public use and sale under 35 USC 102, it was incumbent on Plaintiff to show by "full, unequivocal and convincing" proof if it could, that such sale and use were experimental. *Smith & Griggs Mfg. Co. v. Sprague*, 123 U.S. 249 (1887); *Aerovox Corp. v. Polymet Mfg. Corp.*, 67 F. 2d 860 (2nd Cir. 1933); *Geo. R. Churchill Co. v. American Buff Co.*, 365 F. 2d 129 at 134 (7th Cir. 1966); *Cataphote Corp. v. De Soto Chemical Coatings*, 253 F. Supp. 936 at 938 (D.C. N.D. Calif. 1964) *aff'd*. 358 F. 2d 732 (9th Cir. 1966).

But Plaintiff, although it had access to all evidentiary facts bearing on the subject, failed utterly to carry its burden in this regard. Not only that, but the utter failure of proof shows that the counter affidavits submitted in opposition to the Motion for Summary Judgment were in bad faith and for purposes of delay. Plaintiff's own records, particularly Exhibits GK and GL and Rentsch's testimony [Tr. 2047-49] show that at the time of Kaiser's initial sales, Plaintiff did not, in fact, entertain any theory that they were "field trials" or experiments with Plaintiff's invention as it now contends. On the contrary, Plaintiff *then* regarded Kaiser's activity as adverse to it. See Memorandum of Decision at R 3650.

Thus, the filing of such dilatory affidavits in opposition to the summary judgment motion without any real faith in the truth thereof, justified sanctions under Rule 56(g) F.R.C.P. including an award to Defendants of reasonable attorneys' fees.

**Plaintiff's Alleged Theories Concerning "New Matter" and "Experimental Use" Do Not and Did Not Excuse Its Misrepresentations of Fact to the Patent Office.**

As we have shown, there is not a shred of credible evidence that, prior to the Motion for Summary Judgment, Plaintiff ever really believed in, or even entertained the theories it advanced in opposition to that motion. But even assuming, *arguendo*, that they did have such theories in 1956, the most that could be said in Plaintiff's favor is that some question existed as to whether or not the C-I-P claims in issue contained "new matter" and as to whether or not the sales and uses of UNITAB liners were "experimental". Even if such questions existed during the prosecution of

the application, Plaintiff and its counsel were duty bound to ascertain and disclose the underlying *facts* to the Patent Office and let *it* decide the questions.

The Supreme Court has stated the matter thus:

“Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings have *an uncompromising duty to report to it all facts concerning possible fraud or inequitableness underlying the application in issue* Cf. *Crites, Inc. v. Prudential Ins. Co.*, 322 U.S. 408, 415, 64 S. Ct. 1075, 1079, 88 L. Ed. 1356. This duty is *not excused by reasonable doubts as to the sufficiency of the proof* of the inequitable conduct nor by resort to independent legal advice. Public interest demands that *all facts relevant to such matters be submitted formally or informally to the Patent Office, which can then pass upon the sufficiency of the evidence*. Only in this way can that agency act to safeguard the public in the first instance against fraudulent patent monopolies. Only in that way can the Patent Office and the public escape from being classed among the ‘mute and helpless victims of deception and fraud.’ *Hazel-Atlas Glass Co. v. Hartford-Empire Co.* 322 U.S. 246, 64 S. Ct. 1001, 88 L. Ed. 1250.” (emphasis added)

*Precision Inst. Mfg. Co. v. Automotive M. & Mach’ry Co.*, 324 U.S. 806 at 818, 65 S. Ct. 993 at 999 (1945).

In the case at bar, Plaintiff’s agents, particularly Rentsch, not only failed in their duty to disclose the underlying facts which they knew, but affirmatively lied to the Patent Office, under oath, alleging “facts”



known to be false. These false allegations effectively prevented the questions of new matter in the C-I-P and experimental use from ever being raised in the Patent Office.

Plaintiff filed two petitions in the Patent Office to make its C-I-P application “special”, that is to accelerate the prosecution so that it could more quickly obtain a patent with which it could restrain Kaiser from using the invention alleged to have been stolen from Plaintiff. The first petition supported by one of the several Rentsch Affidavits [R 1924 to 1943] was denied [un-numbered page ff R 1943] for failure to allege *when* Kaiser’s allegedly infringing article was first “discovered to exist”. O’Brian: Tr. 9246-9247. In a Petition for Reconsideration [R 1944 to 1949] this omission was remedied by attaching another affidavit of Rentsch which included these deliberate falsehoods:

1. That Plaintiff, and Rentsch in particular did not know of any manufacture of UNITAB liners prior to 1956 [R 1947]; and
2. That Plaintiff had no way of finding out the earliest existence of the UNITAB liners. R 1949.

See Findings 103, 104 and 105 and annotations to evidence in Defendants’ post-trial brief R 3119/pp. 96-97.

We submit that the fact that Plaintiff chose to disguise the truth under a mask of deliberate falsehoods instead of presenting the facts to the Patent Office and arguing its “no new matter” and “experimental use” theories, raises a strong inference that in truth, Plaintiff never really entertained such theories or, if it did, it had no good faith belief therein. As the Su-

preme Court has said of such matters presented to the Patent Office:

“Truth needs no disguise”

*Hazel-Atlas, supra*, 322 U.S. 238 at 247.

It is pertinent to note in this connection that by November 18, 1957, when the petition to make special was filed, the Patent Office had already rejected Plaintiff's argument that the “uniform composition” limitations was not new matter in the parent case (and a *fortiori* in the C-I-P) and had held on the contrary that it was new matter. See Patent Office action dated January 7, 1957 [R 2276-77]. Plaintiff did not traverse or otherwise respond to the January 7, 1957 Patent Office action and the parent application became abandoned by operation of law. See Examiner's Amendment in the C-I-P May 22, 1959, R 2247. Thus, Plaintiff obviously knew it was pointless to pursue its “no new matter” argument having chosen instead to file a C-I-P and deliberately to conceal the intervening statutory bar.

#### **Plaintiff Made Additional Knowing Misrepresentations in the Petition to Make the C-I-P Application Special.**

All that Plaintiff needed to allege as grounds for making its application special was (1) that a potentially infringing device was on the market and (2) when it first discovered this fact.

But Plaintiff, in its petition in this case, went much further and gratuitously added exhibits and elaborate allegations—under oath—all calculated to convince the Patent Office that during the so-called license negotiations Plaintiff's secret set forth in the C-I-P application was “disclosed” to Kaiser and that it was only



*after* such negotiations and disclosure that the allegedly infringing UNITAB liner was developed and put on the market. This was apparently O'Brien's belief [Tr. 9283] but Rentsch knew better.

Plaintiff's "attorney-in-fact" Rentsch, was told at the inception of the "license negotiations" that Kaiser's short shimmed liner was already on the market and in commercial use. Also, neither the parent nor the C-I-P application was ever shown to Defendants nor were the contents or claims ever described in any meaningful way to any Defendant.

See Findings 50, 59 through 61, 64, 65 and 106 through 109 and Plaintiff's post trial brief R 3119/pp. 100-103.

We submit that the fact that in order to induce the Patent Office to issue a patent, Plaintiff not only deliberately concealed the known truth\*, but affirmatively alleged "facts" known to be made up of whole cloth, completely discredits the arguments attempting to excuse such conduct.

**Plaintiff's Falsehoods in the Petition to Make Special Clearly Affected the Decisions in the Patent Office and Are Thus Material.**

Appellant argues:

" . . . it must be kept in mind that the sole purpose of a petition to make special is to accelerate the prosecution of a patent application; the petition can in no way be considered to go to the merits of whether a patent should be granted.

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\*California Civil Code, §1572 defines as actual fraud, various acts, including:

"3. The suppression of that which is true, by one having knowledge or belief of the fact."

Stated differently, a petition to make special involves only the question of when a patent will issue, not whether it will issue. Thus, even if the petition was a collection of bold lies, it could not be made the basis of a finding of fraud because it could not be shown that but for the lies the patent would not have issued, i.e., the lies would not be material". Appellant's Brief, pp. 80-81.

Assuming the correctness of Plaintiff's test for "materiality", its conclusion above stated is obviously incorrect when the test is applied to the case at bar. We submit that "but for the lies" (i.e., if the truth had been told) the Plaintiff's patent claims in issue would most certainly *not* have issued.

The truth, known to but carefully concealed by Rentsch, was that the UNITAB liner described and shown in detail in the exhibits to the petition to make special was on sale and in commercial use in and around Victorville, California prior to commencement of license negotiations on June 9, 1955. But note Rentsch's sworn statement that the best evidence he was able to garner showed that the accused device had "been on the market since the latter part of 1956" [R 1949] when he knew from personal knowledge that it had been on the market since a time prior to June 9, 1955.

It is inconceivable that the Examiner, had he known the truth, would have failed to reject the claims in issue under 35 USC 102(b). Those claims depend upon new matter in public use more than a year prior to the C-I-P application. Moreover, it is clear that the Board of Appeals would have sustained such rejection. They did so in the case of other claims in Plaintiff's application where the question of "new matter" was much closer that that presented by the claims in issue.

See Board of Appeals' decision in the patent file R 2239 through 2241.

Finally, it should be noted that Plaintiff's falsehoods anent alleged disclosures to Kaiser and its allegedly subsequent development of the UNITAB presented in the petition to make special were not confined to that procedural aspect of the case but were repeated again and again in later prosecution of the application *on the merits*. See *e.g.*, R 2012, 2013, 2029, 2036, 2038, 2067, 2091, 2170, 2171, 2199, 2225.

Having chosen to rely on deliberately false affidavits to induce\* a hostile Patent Office to grant the patent claims in issue and having succeeded in that endeavor, Appellant is in no position now to argue that what it characterizes—aptly we submit—as a “collection of bold lies” did not influence the decision to allow the claims.

See *Hazel-Atlas v. Hartford-Empire*, 322 U.S. 238 at 247, 64 S. Ct. 997 (9th Cir. 1957).

It must be noted that even assuming *arguendo* that Plaintiff at one time mistakenly thought the 1955 uses of the UNITAB liners were experimental, long before the patent issued, Plaintiff had, by its own “Geldman survey”, determined with particularity that this was not the case. See Finding 121, Defendants' post-trial brief R 3119/p. 94. Even after this survey

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\*Plaintiff's intent here was that required to show fraud.

“In regard to the intent element, the California Supreme Court, in *Gagne v. Bertran*, 1954, 43 Cal.2d 481, 488, 275 P.2d 15, 20, stated that “\* \* \* the intent required to prove a cause of action for deceit is an intent to induce action. An “intent to deceive” is not an essential element of the cause of action \* \* \*”. The intent to induce action here is not in dispute. The evidence clearly demonstrated that the representations were designed to persuade the Farnells to buy the property.”

*Stone v. Farnell*, 239 F. 2d 750 at 753.

reapprised Plaintiff of its error, Plaintiff continued to conceal the truth from the Patent Office. See Findings 122, 123.

A word concerning Appellant's contention that the Patent Office Examiner's withdrawal of Defendant's Davis patent as a reference against certain claims in Plaintiff's C-I-P application indicates a change in the Examiner's view as to new matter. Appellant's Brief, p. 70.

A careful review of the portions of the file history referred to by Appellant fails to disclose the slightest support for Appellant's conclusion that the Davis reference was withdrawn because the Examiner reversed his previous holding of "new matter" in the then abandoned parent application. Thus, Appellant's conclusion rests in pure and, we submit, wholly unwarranted speculation.

If speculation as to the Examiner's motives is in order, we submit that a much more logical conclusion is that the Examiner withdrew the Davis reference because he was convinced by Rentsch's false affidavits attached to the Petition to Make Special that Plaintiff could, under Rule 131 of the Patent Office, "swear back" of the Davis reference. In the same paper referred to in Appellant's brief, Plaintiff had argued that it *could* swear back of Davis under Rule 131 [37 CFR 1.131] referring to the showing made in the Petition to Make Special. See R 2029 and 2030.

The "facts" alleged in the Petition to Make Special, particularly the allegation and argument that the UNITAB was developed only *after* disclosure during license negotiations of the completed Anderson invention, *had they been true*—would have constituted a sufficient showing under Patent Office Rule 131 to war-

rant the Examiner's withdrawing Davis as he did and yet not, at the same time, rejecting Plaintiff's application under 35 USC 102(b). But the allegations were *not* true—they were consciously false. Thus, the incident furnishes yet another example of the materiality of Plaintiff's fraud.

### **Plaintiff's Misrepresentations as to the "Unexpected Results" and Commercial Success of Short Shims Constituted Deliberate Fraud.**

The trial court found it to be established by *a heavy preponderance* of evidence that any improved production of Plaintiff's cement kiln in Laramie following the initial installation of the so-called Anderson shims was due to causes other than the shims. Finding 44.

The court also found that Rentsch (Plaintiff's attorney-in-fact) and Anderson (the alleged inventor of the shims) knew the above fact but falsely represented otherwise to Defendants [Findings 44 and 45] and to the Patent Office. Finding 111.

The court still further found that Rentsch and Anderson both knew they lacked either the knowledge or information required to make the representations they made. Findings 44 and 113.

Details of the misrepresentations to the Patent Office concerning "unexpected results" are contained in Findings 111 through 113 and the materiality thereof in Findings 126 and 128.

A discussion of the evidence supporting the above findings as to false claims of "unexpected results" is contained in Defendants' post-trial opening brief at R 3119/pp. 109 through 124 and reply R 3456-R 3458/pp. 58 through 60. See in particular Exhibit G reproduced in the above section of Defendants' post-trial opening brief (R 3119).

Exhibit G is a chart prepared from the same data which Rentsch used as a basis for his “unexpected results” affidavits. It illustrates graphically that these data—not only available to, but used by Rentsch—show that production increases at Laramie were chronologically correlated with factors *other* than the Anderson shims.

Appellant attempts to deprecate the accuracy of the chart [Brief, pp. 89-90] by a wholly inaccurate reference to snatches of testimony. This same argument was made to the trial court which, after hearing voluminous testimony on the subject from several witnesses for both parties, resolved the question in favor of the accuracy of Exhibit G for the purpose for which it was intended. Memorandum of Decision, R 3642-3643. Accordingly, such findings should not be disturbed merely because Plaintiff continues to argue that Exhibit G is not as “sophisticated” as it might have been. Tr. 11800.

Appellant does not specifically point out wherein any one or more of the above noted findings as to unexpected results lacks “substantial evidence” to support it or is clearly erroneous, but after a review of certain fragments of evidence which it deems favorable to it, levels a general charge that there was a “lack of *positive* evidence” that the Appellant (through Rentsch) made knowing misrepresentations to the Patent Office. Appellant’s Brief, p. 91. Based upon that diffuse allegation, Appellant further contends that it was “clearly erroneous” for the court to rely on the representations of unexpected results as a basis for a finding of fraud.

Thus, Appellant asks this Court to review and reweigh all of the evidence and make new findings on the subject of the representations of unexpected results, basing its request on a contention that there is a paucity of “positive evidence” of fraud. Apparently by “pos-



itive evidence” Appellant has in mind a Perry Mason style confession by Rentsch from the witness stand. We submit that Rentsch’s demeanor on the witness stand amounted to just that and constituted “positive evidence” of his mendacity. See Memorandum of Decision R 3685-6.

Be that as it may, it is not the function, nor indeed within the appellate jurisdiction of this Court to engage in a fact finding review of the evidence unless the findings of the trial court lack substantial supportive evidence or are clearly erroneous. But none of Findings 44, 45, 111 through 113, 126 and 128 is “clearly erroneous” or erroneous at all. Each and every one is supported by substantial evidence and most of them, as the court said, by a “very heavy preponderance of evidence”.

As to the alleged error in these findings and the alleged lack of “positive evidence”, we believe Appellant has an erroneous view of what constitutes “fraud” and the standard of truthfulness enjoined upon those who deal with the Patent Office. Typical of Appellant’s erroneous view of the law of fraud is the statement:

“We . . . shall demonstrate that there is no positive evidence that Rentsch believed the unexpected results as stated in his affidavit to be other than true”. Appellant’s Brief, p. 83.

There was substantial, indeed ample evidence from which the trial court could find, as it did, that both Rentsch and Anderson knew “positively” that the representation anent “unexpected results” were false. See Defendants’ post trial brief R 3119/pp. 112-120.

But even assuming *arguendo* that Rentsch believed the conclusions in his affidavits to be true, he knew that neither he nor Anderson possessed the knowledge



or information required to make the factual assertions contained therein. Finding 44.

Under such circumstances, the positive assertions in the affidavits were fraud, even if Rentsch believed them.

As this Court stated in a recent case:

“The tort of negligent misrepresentation does not require that the person making the statement be aware of its untruth”.

*Hartwell v. Bumb*, 345 F. 2d 453 at 455 (9th Cir. 1955).

In the same case, the Court cites California Civil Code, §1572 defining actual fraud as, among other things,:

“2. The positive assertion in a manner not warranted by the information of the person making it of that which is not true, though he believes it to be true \* \* \*”. *Ibid.*, at 456.

See also:

*Stone v. Farnell*, 239 F. 2d 750 at 753-4 (9th Cir. 1957).

Knowing that there were other factors besides short shims that affected the productivity of the Laramie kiln and knowing that he did not know the extent of the effects of such other factors, Rentsch confidently asserted that these other effects were minor and that the increased productivity was primarily due to short shims. This was at best a wild guess—a shot in the dark which, as shown by Plaintiff’s own records readily available to Rentsch widely missed its mark. This was fraud.

In *Yates v. Boteler*, 163 F. 2d 953 (9th Cir. 1947) this Court said of a carelessly prepared and false financial statement:

“ . . . having elected to release certain figures pertaining to his business, it was his duty, both legal and moral, to see to that those figures were as accurate as he could make them. It is clear that he did not put out the necessary effort to make his information conform to this high standard.” 163 F. 2d 953 at 958.

The above language, we submit, applies precisely to the case at bar. Both Rentsch and Anderson knew that more accurate data were available as to the causes of increased production and Rentsch knew of his duty to tell the truth to the Patent Office. Yet Rentsch—either by deliberate design or by gross negligence—omitted such data from his affidavits to the Patent Office. See Memorandum of Decision, R 3680 and 3681. Moreover, while the affidavits were elaborately detailed to give the verisimilitude of a carefully drawn analysis of *all* pertinent facts\*, the erroneous statement as to the minor effects of factors other than short shims was, in fact, as we have said, only a shot in the dark and Rentsch knew it. To include it in the affidavit was fraud.

The opinion in *Morris Plan Industrial Bank v. Lassman*, 116 F. 2d 473 (2nd Cir. 1940) cited with approval by this Court in *Yates v. Boteler*, *supra*, puts it thus:

“ . . . If he is merely guessing at the right amount—which it is necessarily within his power to ascertain—his answer is untruthful unless he in some

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\*In O'Brian's argument to the Patent Office, Rentsch's affidavits were described as a “carefully developed factual [sic] showing” [R 2102], yet at trial, O'Brian conceded that the critical “unexpected” figure of 30 times anticipated results, was at best “an approximation based on an estimate”. Tr 9393.

way conditions it. It may be morally worse to tell what he knows to be false, but *it is as deliberate a deceit to give an appearance of accuracy to what one knows to be a shot in the dark.*" (emphasis added)

Before leaving this point, we wish to emphasize that the falsity of Rentsch's affidavits may not be attributed to mere carelessness, forgetfulness, or ignorance of his duty to make his statements accurate. Rentsch's duty was forcefully brought to his attention by O'Brian as follows.

Shortly before the C-I-P was filed in December 1956, a draft was submitted to Mr. Coy Burnett, Plaintiff's chief executive, himself a lawyer [See Rentsch: Tr. 2055 and *Monolith v. RFC*, 128 F. Supp. 824 at 866 footnote 29, discussed *ante*] for his review and comments. Mr. Burnett wrote a lengthy critique [Exhibit LE] suggesting, *inter alia* that certain calculations as to the value of the invention be added to the C-I-P application. In response to Burnett's suggestion O'Brian demurred in a letter to Rentsch\* [Exhibit LF] referring to the "lesson" of the "RFC litigation" and warning that the inclusion of such calculations in the application was dangerous because the patent might "be open to attack in subsequent litigation in the event that even minor errors are made in calculation".

O'Brian's reference to the RFC litigation was most significant to Plaintiff's executives, particularly Rentsch and Burnett, since it referred to a case then on appeal, in which another patent of Plaintiff's covering part of its operations at Laramie had been held unenforceable for fraud on the Patent Office, the fraud consisting—as in the case at bar—of false allegations of "commer-

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\*Apparently O'Brian, under his contract, Exhibit 1080, was permitted to address the throne only in communications addressed through Rentsch.

cial success". See *Monolith Portland Midwest Company v. RFC*, 128 F. Supp. 824\* at 855-6.

While O'Brian professed at the trial to be unable to remember why he had cited the *RFC* case and its "lesson" he clearly indicated that, at the time, he recognized the danger of fraud on the Patent Office. See Tr. 8991 through 8993 and 8999.

Moreover, we note that O'Brian's claim to be suffering from retrograde amnesia as to the *R.F.C.* case has a somewhat hollow ring and appeared to be more an effort to cover up his own negligence in permitting the false affidavits to be filed in the Patent Office. See Memorandum of Decision R 3687. To his credit, however, it must also be noted that he did make an effort to check the accuracy of the affidavits when they were being prepared in Washington, D. C. but in a long distance telephone conference, this effort was frustrated by Rentsch and Plaintiff's general counsel, Joseph Enright, and the fraudulent statement concerning the "minor" effect of factors other than spacing was allowed to stand, See Defendants' post trial brief, R 3119/pp. 111, 112, 119-120 for annotations to the record. See also O'Brian, Tr. 8999 through 9003.

Thus, it is clear that Rentsch was repeatedly placed on notice of his duty to present only complete and accurate affidavits to the Patent Office. In the face of such warnings, he chose not to do so. This we submit was deliberate fraud for which Plaintiff must bear the consequences.

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\*This case was subsequently reversed and remanded by this Court for lack of a jury trial and with no comment as to the finding *re* fraud on the Patent Office. 240 F. 2d 444. The case was never retried due to Plaintiff's failure to substitute a new defendant upon the *RFC* being abolished. Be that as it may, the ruling by Judge Carter was in force at the date of O'Brian's letter and in any event, constituted a clear caveat as to the results of fraud on the Patent Office.

**Plaintiff Caused the Filing of the Wicken Affidavit Knowing It Was False and Such Affidavit Materially Affected the Decision of the Patent Office.**

The circumstances of the preparation and filing of the Wicken affidavit are set forth in Findings 114 through 120. The evidence supporting these findings is discussed in our post-trial briefs R 3119/pp. 124-135 and R 3459-3467 and Exhibit 00\*.

In the Wicken affidavit, we find a prime example of what the Supreme Court had in mind in *Hazel Atlas* when it said “Truth needs no disguise”, 322 U.S. 238 at 247.

As the trial court found in the case at bar, Rentsch, not Wicken, was the real author of the material substance of the Wicken affidavit [Finding 117] which was thus used as a vehicle for the presentation of Plaintiff’s factually unsupportable arguments to the Patent Office.

This deception alone would have been enough to condemn the practice even if the factual allegations in the affidavit had been true. See *Hazel Atlas, supra*, 322 U.S. at 247. But they were not true, as the court found. See Findings 117(a) through (c) and 118.

Appellant attempts to escape the consequences of the false statements in the Wicken affidavit by arguing that his statements must be considered in the context of “cement”, as opposed to other types of kilns, and

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\*This is a memorandum of a conference between Wicken and his superior concerning the propriety of his making the affidavit. During the conference Wicken was expressly reminded that longitudinal spaced shims were old in the art.

when so considered are not false. Appellant's Brief, pp. 91-92.

Wicken's affidavit itself [R 2106-2109] completely refutes the argument that its allegations are to be considered as limited to cement kilns. The recitation of Wicken's experience which allegedly qualifies him to express an expert opinion on the subject, includes several types of kilns, but significantly omits specific reference to the cement industry [Affidavit, paragraphs 1 and 2]. Wicken specifically states the basis of his opinions as follows:

"3. I consider myself qualified to state what were conventional practices with respect to the use of refractories in rotary kilns such as are used in the cement *and other industries* in the early part of 1955 because of my education and experience as set forth in paragraphs 1 and 2 above." (emphasis added) Affidavit, paragraph 3.

In paragraph 4, Wicken again makes it clear that his opinions are not limited to cement kilns by his reference to "cement kilns or other related kilns".

Thus, Appellant's latest exculpatory argument is unsupported by the evidence.

But what is a perhaps more serious fraud lay in the fact that Rentsch deliberately suppressed Wicken's allegations which would have indicated to the Patent Office Board of Appeals that his laudatory remarks were intended to apply only to the arcuate or radial shims and thus were inapplicable to the claims on appeal. Finding 118.



Finally, Appellant does not even suggest an excuse for Rentsch's deliberate insertion of allegations designed to indicate that Wicken had seen the subject patent application and the Laramie installation (Affidavit, paragraph 8) when Rentsch knew such allegations were untrue. Finding 117(b).

Having repeatedly cited and relied upon the Wicken affidavit to persuade the Board of Appeals to reverse the Examiner, and the Board having done so, Appellant is in no position to argue that the affidavit is immaterial or to dispute its effectiveness.

*Hazel Atlas Glass Co. v. Hartford-Empire Co.*,  
322 U.S. 238 at 247.

Concluding as to the Wicken affair, we submit that the affidavit constituted Plaintiff's "advocacy" sailing under false colors, and also contained deliberately false allegations designed to give it an appearance of authenticity. Thus, Plaintiff's conduct here was far worse than that condemned in *Hazel Atlas, supra*. Accordingly, the Wicken affidavit alone furnishes a clear basis for the finding that the patent in suit is unenforceable for fraud and that an award of attorneys' fees is in order.

**Plaintiff Unduly Prolonged the Trial by Refusing  
to Concede Obvious Facts.**

Appellant, while not challenging the findings that the prior uses at Saltville, Cape May and Ada anticipate the claims in suit and render them invalid [Finding 92, R 3734], asserts [Brief, pp. 38 to 44] that its contest of such issues at trial did not constitute unrea-

sonable prolongation of the trial and the taking of extreme positions (both grounds upon which the Court awarded attorneys' fees. Findings 132, 133, R 3753-4).

Again, the record completely refutes this contention and shows the findings to be amply supported by the evidence. "Clear, complete and convincing" [Finding 95] evidence concerning these prior uses was developed by depositions well in advance of trial and thus was well-known to Appellant. See Defendants' post-trial Brief, R 3119, pp. 160-163, where the circumstances are set forth.

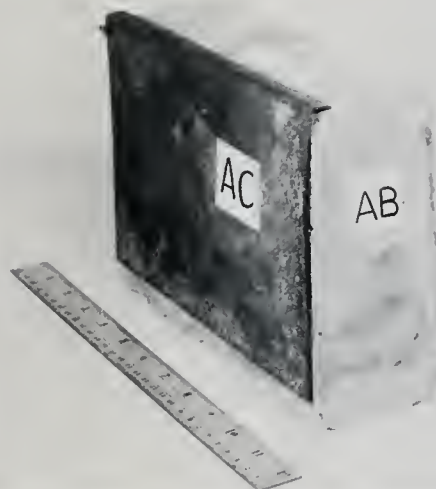
The evidence supporting Finding 92 is simply overwhelming and consisted of physical evidence and supporting documentation, as well as the testimony of many witnesses. [See Defendants' post-trial Brief, R 3119, pp. 45-53, summarizing the evidence.] Physical specimens of the Saltville bricks and shims, use of which dated back to a time prior to 1937 [Exhibit BD, Rochow Tr. 6251-6252, 6254-6256], were in evidence. Photographs of these bricks and shims appear opposite page 60 of this brief. Appellant even stipulated to much of the documentary evidence. TR. 6127-6129. Even a cursory comparison of the photographs with the claims of the patent-in-suit and the UNITAB structure will show that these exhibits simply demolished any hope Appellant may have ever entertained of upholding the patent's validity.

Appellant contends on pages 41 to 43 of its brief that there was a substantial issue as to whether the uses were "secret". But the deposition testimony was clear that such uses were not secret [See Defendants'

post-trial brief, R 3119/pp. 48-49, 52 and evidence cited] and, even now, Appellant is unable to cite an iota of testimony to the contrary. Through discovery, these matters were fully known long before trial.

Next, Appellant asserts [Brief, pp. 43-44] that the Saltville and Cape May uses could not be a statutory bar because they did not involve cement kilns. The claims, however, are not limited to cement kilns, as is abundantly clear both from the language of the patent itself and the nature of the industry. See discussion in Defendants' post-trial brief, R 3119/pp. 37-39. There was never any bona fide issue as to the interpretation of the claims.

It is respectfully submitted that the extremely tenuous nature of these contentions serves only to corroborate the findings that the trial was unduly prolonged through the failure of Appellant to concede facts which it had no bona fide reason to contest. Finding 133(b), R 3755.



Photographs of Various Saltville  
Basic Bricks with Short Plates.



THE \$280,000 AWARD IS JUSTIFIED  
UNDER 35 USC 285 ALONE.

The Court Determined Its Award to Be a Reasonable Fee for Services Rendered in Defense of the Patent Cause.

The trial court made the various bases for its award of attorneys' fees clear in its Supplemental Memorandum of Decision R 4665 *et seq.* In concluding, the court said:

"... The award made in this case is within the authority of the statute\*, consistent with its purpose and, at the same time, is in an amount which should be awarded in the exercise of sound discretion to prevent injustice under the Court's general equity power". R 4670

The general equity power, referred to by the court is discussed in a later section. Here, however, we will discuss the justification of the award solely on the basis of the patent statute.

It is first to be noted that the amount of the award is very substantially less than the nearly \$425,000 in attorneys' fees actually expended by Defendant in the defense of this action. Finding 137.

It is also of importance that while this case was pleaded as ostensibly separate trade secret and patent infringement causes, what was actually presented by Plaintiff and had to be defended against, was a single mass of indistinguishable testimony, physical and documentary evidence virtually every item of which was strenuously argued by Plaintiff to bear on *both* the

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\*The court had previously cited 35 USC 285.



patent and trade secret phases of the case, primarily the patent phase. As the court said on this point:

“The bulk of the evidence was material to the patent count or the defenses to it, even though some of it was also produced and admitted for its probative value concerning other issues. . . . Had all but the patent cause of action been eliminated, it seems likely that the same amount of attorneys’ time would have been consumed.” R 4667.

The trial judge who has lived with this case since October 1961 [R 580], found “an overwhelming proportion”\* of the services of Defendants’ attorneys were “necessarily rendered in connection with defenses of the patent cause”. Finding 137.

Time and time again, when Defendants attempted to have the trial court separately consider and dispose of what appeared to be separate issues, Plaintiff strenuously resisted such efforts and argued that the case could not be “fragmented” or decided piecemeal.

This was Plaintiff’s position in opposing Defendants’ Motion for Summary Judgment as to the patent cause. See Plaintiff’s Brief in Opposition”, R 843 at 887-888.

And it was again when Defendants attempted to obtain, *in limine*, a disposition of the trade secrets causes under the statute of limitations. See Plaintiff’s “Response” etc. R 1639 at 1649 and 1661.

And yet again Plaintiff resisted what it called fragmenting the case when Defendants moved to dismiss

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\*Lest the trial court again be accused of “adopting verbatim”, findings formulated by Defendants, we note that these are the trial court’s own words inserted by amendment in proposed Finding 137.

the trade secret causes at the close of Plaintiff's case. See "Plaintiff's Brief in Opposition" R 2450-2465.

As the record shows, Defendants ultimately prevailed on each and every one of the issues above noted and had they been considered and decided when first raised, the trial would have been immeasurably shortened. Even so, the above noted conduct of Plaintiff might have been justified had the positions taken by Plaintiff in each instance, although without merit, been in good faith.

But such was not the case. The resistance by Plaintiff to Defendants' efforts to shorten and simplify the case was in each instance clearly without merit and was a delaying tactic designed to make the litigation long and expensive.

Plaintiff's above outlined conduct during, and prior to trial taken with Appellant's present thinly veiled suggestion that the case could have been shortened if Defendants had only defended it properly (Appellant's Brief, p. 2, footnote) brings to mind this Court's comments in a similar setting, *i.e.*, *Twentieth Century Fox Film v. Goldwyn etc.*, 328 F. 2d 190 (9th Cir. 1964). In that case, this Court affirmed an award of \$100,000 counsel fees to plaintiff and, in answer to a contention similar to Appellant's here, said:

"There is no doubt that counsel for plaintiff [Defendants here] did a prodigious amount of work in preparing this case for trial, and in trying it. Defendants [Plaintiff here] do not contend to the contrary. They do question the necessity for much of this work. However, this is almost like saying that plaintiff [Defendants here] could have won more easily—a not very telling argument when made by those who contend that plaintiff [Defendants here] should not have won at all." (Bracketed material added) 328 F. 2d 190 at 221, 222.

As we have pointed out earlier herein, Plaintiff's defenses to our Motion for Summary Judgment, *i.e.*, that the prior use was "experimental" and that there was no "new matter" recited in the claims in issue, both turned out to be, *as Plaintiff well knew*, without foundation in fact.

As a basis for not applying the statute of limitations Plaintiff argued that by what it called an "acknowledgment" that the Anderson invention had been disclosed to it in confidence and by allegedly leading Plaintiff to believe it was "field testing" Plaintiff's invention, Kaiser had fraudulently lulled Plaintiff into inactivity or had concealed the cause of action, thus tolling the statute. These contentions of Plaintiff were found by the trial court to be respectively, "preposterous" [Finding 65] and "totally unreasonable" and "incredible and unbelievable" [Finding 61]. The statute was not tolled [Finding 73] because Plaintiff did not, as it had promised, show any fraud on Defendants' part.

Defendants' motion to dismiss the trade secret causes was resisted on the ground that any failure of Plaintiff to prove the cause during its case in chief would be remedied during its rebuttal to Defendants' defense of the patent cause. But when the time for such rebuttal came, no such evidence was forthcoming. [Finding 133(a).]

It is clear that it was *Plaintiff's* intransigent contention throughout the proceedings below that every piece of evidence had at least some bearing on the patent phase of the case and at the same time, on the trade secret phase. It took this ambiguous position, not only in the trial court, but before the Patent Office.

As we have discussed in an earlier part of this brief, Plaintiff presented false allegations to the Patent Of-

fice that the claimed invention had been disclosed to Kaiser during license negotiations and *thereafter* misappropriated by Kaiser. Plaintiff's successful arguments to the Board of Appeals were premised in part on such false allegations.

Thus, in defending against the patent cause, it was incumbent upon Defendant to show, among other things, the falsity of the just mentioned allegations and Plaintiff's *scienter* with respect thereto. For this reason, all services of Defendant's attorneys, whether directed to proving the falsity of Plaintiff's confidential disclosure claims or to other phases of the patent defense, are compensable under 35 USC 285.

See *Talon, Inc. v. Union Slide Fastener, Inc.*, 266 F. 2d 731 (9th Cir. 1959), wherein this Court stated (266 F. 2d at p. 740):

"A proper construction of Title 35, Section 285, does not require a district judge in awarding attorney's fees to a prevailing defendant to separately evaluate the services rendered under each separate defense contained in the defendant's answer and then to reduce or increase such award depending upon whether a particular defense failed or is sustained. Under the statute a district judge, in exceptional cases, may award reasonable attorney's fees to the prevailing party. In our view, such award to a defendant may include services rendered by his attorney in connection with a separate defense set forth in the answer even though the trial court should ultimately conclude that such defense had not been sustained; provided that such defendant prevails in the action and that such defense was relevant and material, and was asserted and maintained in good faith."

We submit that the above quotation is fully applicable here and establishes that there is no requirement for any diminution of the award because of the confidential disclosure aspects of this case. Since Plaintiff chose to procure its patent by various sworn misrepresentations to the Patent Office, *including those concerning its confidential disclosure theory*, Defendants' trial burden was to attack the patent on the same battleground and show that such representations were false. The *Talon* case would uphold an award even if such strategy were unsuccessful. Certainly the award should not be diminished where the defense *prevailed*.

Plaintiff's unwarranted resistance to the efforts of Defendants and the trial court to simplify the issues was compounded by the way Plaintiff presented its case, *i.e.*, in a manner inextricably combining the patent count with other counts. Finding 136. Plaintiff persistently and wilfully resisted all efforts to determine with any degree of precision just what its contentions were. Findings 132(b), 132(c), and 132(d).

It bears emphasis that many months before the complaint was amended to add the patent count, Plaintiff quite obviously conceived the litigation as primarily a patent case and was engaged in the marshalling of evidence directed to that end. See O'Brian's testimony Tr. 9422-9427.

Plaintiff's purpose in initiating the action as a "trade secret" case is clear. It hoped thereby to add some apparent "equity" and some semblance of "commercial success" to an otherwise weak and dubious patent claim. This strategy met with success in the Patent Office because, the proceedings there being *ex parte*, Kaiser had no opportunity to show the utter falsity of Plaintiff's allegations. However, in the adversary trial, Defendants were able to bring Plain-



tiff's falsehoods to light and Plaintiff's strategy ultimately failed.

The important point we make here is that in pursuing the above described strategy, Plaintiff tried at every opportunity—both in the Patent Office and in the trial court—to emphasize that all its alleged causes of action were to use Plaintiff's term, "inextricably intertwined" and that the evidence was all "basic" to all causes.

Now that Plaintiff has lost the case and has associated new counsel it has radically changed its tune. *Now* it is contended that the trial court in assessing a reasonable attorneys' fee should have unscrambled what Plaintiff had been diligently scrambling for some nine years, and should have determined that some part of Defendants' defense services were attributable solely to the patent cause and apportioned the fee accordingly. Moreover, Appellant contends that 35 USC 285 requires that services compensable thereunder be "restricted to work done *only* for the purpose of the patent side of the case" Appellant's Brief, p. 17 (emphasis added).

In other words, Appellant contends that if certain services rendered in defense of the patent cause should incidentally have value in connection with some "non-patent" cause, all such services should therefore be excluded in determining the amount of the award. No authority is cited for this amazing contention and—we respectfully submit—none can be.

The cases cited by Appellant in support of its "apportionment" theory are wholly inapplicable to the facts of this case.

In *Aeration Processes v. Walter Kidde Co., Inc.*, 177 F. 2d 772 (2d Cir. 1949), (Appellant's Brief, p. 22) apparently the best case Appellant can muster, the



Court of Appeals (for the second time in succession) reversed the judgment of the District Court which had persistently denied attorneys' fees to a successful defendant.

The circumstances of that case were that the bad faith warranting the award existed only with respect to one of the two patents in suit and that one "bad" patent *had been withdrawn at the opening of trial*. Defendant in that case nevertheless claimed a fee for the entire defense including services rendered *after* the bad patent was withdrawn.

Clearly the defendant in *Aeration* could, and was required to show what part of the defense went to the "bad" patent and was obviously not entitled to an award of fees for services after the bad patent was withdrawn.

But contrast *Aeration* with the case at bar. Here the patent having been obtained by fraud was "bad" *ab initio* and should never have been introduced. Moreover, in spite of the fact that as the case progressed, Plaintiff was made aware of more and more reasons why the patent was hopelessly invalid, it continued to press every phase of the case with utmost vigor using the patent claim as a device to prevent an expeditious trial.

Had the Plaintiff done as the plaintiff in *Aeration* did, and withdrawn the patent at an early stage and thus shortened the trial, the rationale of that case might be applicable. But this was not done.

Since Plaintiff has seen fit to keep the fraudulent patent in the case to the bitter end for the sole and obvious purpose of postponing the evil day when it would lose the case, it must bear the consequences and the *Aeration* case is not authority for trying to cast

upon Defendants the burden of unscrambling the case and segregating services along lines arbitrarily designated by Plaintiff.

*Turchan v. Cincinnati*, 208 F. 2d 228 (6th Cir. 1953), (Appellant's Brief, p. 22) as intimated by Appellant in its brief, furnishes no enlightenment on the subject of "apportionment". In that case, the Court of Appeals simply affirmed the trial court's refusal to award attorney fees for the reason that no inequities appeared in the conduct of the losing party.

Similarly, in *Sanford Research Co. v. Eberhard Faber Pen & Pencil Co.*, 379 F. 2d 512 (7th Cir. 1967), cited by Appellant on page 23 of its brief, the Circuit Court merely affirmed the trial court's denial of fees under 35 USC 285 agreeing that no gross injustice, fraud or wrongdoing had been proved. The question of apportionment therefore never arose in that case. Thus, *Sanford* has no application to the case at bar where injustice, fraud and wrongdoing *were* all clearly proved, justifying an award under 35 USC 285.

In summation on this point, we submit that the trial court has diligently and carefully followed this case almost from its inception. The issues of Plaintiff's fraud and bad faith and Defendants' claim for attorneys' fees were raised long before trial and the court was constantly alert to evidence that might bear on such issue.

Furthermore, the court reached its decision on the amount of attorneys' fees only after a most careful consideration of all of the facts bearing thereon and a careful consideration of Appellant's present arguments, substantially all of which were presented during the post-trial proceedings *re* attorneys' fees.

This is by no means a case in which, as Appellant charges on page 29 of its brief, there was “short shrift given to the attorney fee issue.”

On the contrary, the amount of consideration devoted to this issue by both parties and by the court was unusual. The careful consideration given by the trial court to the question is revealed in its Supplemental Memorandum of Decision re Attorneys’ Fees R 4665 *et seq.*

Although it is our belief that the trial court was overly conservative in its drastic reduction of Defendants’ actual fees to the amount awarded—particularly in the light of Plaintiff’s gross fraud on the Patent Office—we realize that the amount of the award is within the broad discretion of the trial court and that discretion has not been abused. Therefore, we did not cross appeal for an increased award.

The exercise of the trial court’s discretion in the award of fees should not be disturbed unless manifestly in error or abused.

*Carter Products, Inc., et al. v. Colgate-Palmolive Company*, 230 F. 2d 855 at 866 (affirming an award of attorneys’ fees).

No error—manifest or otherwise—having been shown, the award under 35 U.S.C. 285 should stand.

APPELLANT'S CONFIDENTIAL INFORMATION  
CAUSE WAS CLEARLY WITHOUT MERIT.

Appellant's argument on this point commencing on page 106 of its brief consists primarily in a broad frontal attack on the trial court's findings, the attack being virtually unsupported by specific references to the evidence. Thus, Appellant asks this court to step aside from its appellate role and search the record for evidence to support the findings Appellant now contends should have been made.

We believe it significant in this regard, that although ordered to do so, [R 3793], Appellant did not favor the trial court with either objections to the proposed findings, or proposed counter findings. Thus, Appellant is in a poor posture to complain in this Court about the findings below.

*Sonken-Galamba Corp. v. Atchison, Topeka & Santa Fe Railway Co.*, 34 F. Supp. 15 (W.D. Mo. 1940) affirmed 124 F. 2d 952 (8th Cir. 1942).

We submit that, contrary to Appellant's contentions, the trial court's findings are supported by an overwhelming preponderance of the evidence and that *not one* of the several essential elements of a confidential disclosure case was proved.

We submit further that Appellant, by failing to specifically cite the relevant evidence and by grossly misstating the effect thereof has demonstrated the lack of merit in this branch of the appeal. We submit still further that it is not incumbent upon this court without aid or direction from Appellant, to search the record for evidence to support the trial court's present findings. Nor should Appellee be required to catalog *all* of the evidence supporting the findings.

However, the boldness of Appellant's assertions requires some answer. We shall do so as briefly as possible.

**Plaintiff Never Possessed Any Information Re Spacing Which Was of Significant Value and Thus Legally Protectible.**

In considering this point, it is well to recall that the physical structure, the value of which Plaintiff claimed to be its discovery and trade secret appropriated by Defendant, was a conventional brick-shim combination mounted in a kiln and differing from those previously known to *Plaintiff* only in that the shim is supported out of contact with the kiln shell to avoid shim-to-shell heat transfer.

As noted by the trial court in its Memorandum of Decision [R 3614] Plaintiff concedes that spacing of shims to avoid heat loss is a simple and obvious mechanical expedient—to use Plaintiff's own words “an elementary principle of physics”. As such it does not, as this Court has observed, qualify for protection as a trade secret. *Winston Research Corp. v. Minnesota M & M Co.*, 350 F. 2d 134 at 139 (9th Cir. 1965).

Thus, neither the “spaced shim” itself, as used by Kaiser, nor the use thereof to inhibit transfer of heat to the shell may be claimed as Anderson's invention or trade secret. See Memorandum of Decision R 3614 and 3673-4. What Plaintiff claimed to be its “valuable information” was the alleged “unexpected result” that allegedly accrued from such spacing.

While Plaintiff claimed all sorts of miraculous results to accrue from this so-called “spacing” *per se*, it was never shown that any such miracles actually occurred or were due in any detectable degree to “spacing”.

In some instances, Plaintiff's reports of benefits were knowingly false. See Findings 44, 45, 46, 135(a) and 135(b); Memorandum of Decision R 3614, 3634, 3640, 3644, 3645 and 3669 through 3679.

The only actual structure employing "spacing" which Plaintiff ever had experience with, prior to any alleged disclosures to Kaiser, was the 1954 Laramie installation which employed *radial* shims extending transversely to the kiln axis and each extending along the ends of several bricks. The purpose of such departure from conventional orientation as shown by Plaintiff's own records [*e.g.*, Exhibit AU\*] was to eliminate longitudinal cracking. Apparently, this was successful and quite obviously had a material effect in reducing heat loss through the longitudinal cracks. Just how much this represented in increased production is still a matter of some doubt but the highest *responsible* estimate shown by Plaintiff's records, *ante litem motam*, was 19 bbls. of clinker per day in a kiln having a daily capacity of about 2300 bbls. per day. See Exhibits JY and AU.

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\*"The use of the manufacturers shims supplied with the basic brick was continued for one and a half years. During this time three burning zone linings were installed; with each lining having an average life of six months. After inspection of each of these linings, it was observed that there were many longitudinal cracks. Almost invariably the lining had not failed from burning out but from cracking and falling out.

"From this point the use of the circular steel shims was started. The circular shims were installed in such a way that they were drawn back approximately  $1\frac{1}{2}$  inches from the kiln shell. These shims were approximately 57 inches long and were installed in such a way that the joints in adjacent rows of shims were staggered. This prevents longitudinal cracks from appearing in the kiln."

From p. 3 of Exhibit AU—"Use of Circular Steel Shims with Basic Brick Linings in Kiln of Monolith Portland Midwest Company at Laramie, Wyoming.

"Submitted by: F. J. Anderson, Assistant General Superintendent".



But be that as it may, the improvement was not due to “spacing”. The trial court found it to be established by a “heavy preponderance of evidence” that any improvement in kiln production following the Laramie installation of radial shims was due to factors other than “spacing”. Findings 44, 45 and 46; Memorandum of Decision, R 3669 through 3679; Defendants’ post-trial brief R 3119/pp. 112-15.

Appellant contends the success of the UNITAB liner proves the value of spacing. It does not. We concede, of course that Kaiser’s UNITAB liner is a valuable invention as indicated by the patent issued to Defendants thereon and the commercial success thereof. But these values do not depend upon spacing *per se*. Findings 51 and 52, Memorandum of Decision R 3675 through 3677.

Thus, it is apparent that spacing *per se* was not shown to be of significant value and therefore even if it had been “disclosed” by Plaintiff to Defendant and thereafter employed by Defendants, Plaintiff would have suffered no damage.

**Plaintiff Never Disclosed Any Truthful Information Re Spacing to Kaiser Which Kaiser Did Not Already Know.**

Our point of departure in discussion of this point is *the state of Kaiser’s knowledge* at the time of any given purported disclosure. In our view, which is directly contrary to the apparent view of Appellant, a discussion of a subject is *not* a “disclosure” thereof to one who already knew it.

In August of 1953 when Plaintiff-Appellant alleges the first “disclosure” took place (see Appellant’s Brief, p. 112) Kaiser had the following knowledge and infor-

mation *re* “spacing” of shims in kiln linings and the effects thereof.

1. Kaiser’s agents had studied and understood the disclosure and effect of spacing in the Heuer Patent No. 2,230,141 and the Longacre Patent No. 2,230,142. Finding 31 (See Defendants’ Brief on Motion SR 150 Figs. 3 and 4 ff. p. 36), Memorandum of Decision R 3594.

2. Personnel at the Ada and Denver plants of *Ideal Cement Co.* had used conventionally oriented, bent, spaced shims in cement kiln linings prior to 1950 (Finding 90(d)) and in 1951 had discussed such use with Kaiser’s agents Petersen and Davis. Petersen testimony Tr. 6964-6972, Davis memo Exhibit DB (last paragraph).

3. Actual construction of bent short (spaced) shims for cement kiln lining was observed in 1951 by Kaiser’s agents Davis and Petersen at the *Cementos Veracruz* plant in Orizaba, Mexico. Petersen testimony Tr. 6982-6988.

See also the trial court’s summation of evidence on this point.\* See Finding 30.

Appellant places great reliance on the alleged “disclosure” of Anderson’s alleged invention which it says took place during the Johnson-Putnam conversation on August 27, 1953. See Memorandum of Decision R 3603 through 3621.

We first observe that this conversation was some two weeks *prior* to the earliest possible date which can be

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\*“However, information concerning short shims disposed in the ring as shims had been conventionally used in the past came from the *patent art*, *other customers*, other products on the market and in the course of development of its own refractory products.” R 3639 (Emphasis added.)

established for Anderson's invention. Finding 91. Yet, Appellant does not attempt to explain how the invention together with its allegedly great and unexpectedly beneficial results could have been disclosed before the invention was even made, let alone tested. As the trial court stated:

"The inconsistency between experiencing *unexpected* results which were assertedly forecast by Anderson cannot escape observation." Memorandum of Decision R 3616 (emphasis added).

Entirely apart from the information held by the respective parties on the subject of spacing, it is clear that the Johnson-Putnam conversation was, by its very nature, not a "disclosure" by Plaintiff of anything, but was an inquiry soliciting a disclosure *by Defendants* to Plaintiff of Kaiser's knowledge on various matters including a suggestion conceded to be an obvious mechanical expedient, *i.e.*, spacing of shims as a remedy for heat loss. As the trial court put it:

"Johnson wanted Kaiser's advice on the suggestions and any expression of how to correct or assist in the correction of alleviating the heat loss. The telephone call contained both a speculation as to the effect of the heat loss and a question as to how it might be avoided." Memorandum of Decision R 3608.

Such requested advice was given by Defendants and immediately made available to Plaintiff. See Exhibit DB—last paragraph—copies to Olive and Ford, Kaiser's representatives in direct contact with Plaintiff. Ford testified (deposition) that he disclosed the use and benefit of spaced shims to Plaintiff. Tr. 9886 through 9900.

Appellant argues that a “presumption of appropriation” is raised where the putative appropriator has access to information possessed by another and thereafter uses it. Appellant’s brief, p. 135.

We do not by any means agree with Appellant as to the existence in law of such “presumption”. But to the extent that any inferences may be drawn from the circumstances postulated by Appellant, they are clearly *against* Appellant in this case.

It has been shown that in and prior to August 1953, Defendants possessed detailed information on the structure, use and occasional benefits of metal shims bent over or “flanged” to be supported away from the kiln shell in a kiln lining. It is also shown that such information was, through Kaiser’s representatives, made available to Plaintiff on or shortly after September 10, 1953. [Exhibit DB, last paragraph.]

Thereafter, (no earlier than September 14, 1953) Anderson made his “invention” of the radial shims in a kiln lining and still later such a structure incorporating the structural feature of “flanging”\* to achieve spacing was installed at Laramie and put into operation in February 1954. Findings 25 and 26.

We submit, therefore, that while the circumstances outlined above give rise to an inference that *Plaintiff* derived some useful information *re* spacing from Defendants, they furnish no support whatsoever for the contention that the information flowed the other way.

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\*It is of interest to note that a sketch of the Anderson invention which was sent to Laramie on January 14, 1954 to instruct Plaintiff’s Laramie personnel on how to install these “special steel shims” does *not* disclose any suggestion of “flanging”. See January 14, 1954, letter of Oberg to Williams and attached sketch, both part of Exhibit 1061.

As to any alleged disclosures of the *results* of the Laramie lining, as we have previously pointed out, much of this information given to Defendants by Plaintiff was knowingly false.

But, true or false, the first time any *comprehensible* information on the “spacing” aspect of the Laramie lining was given to Defendants was in September 1954. See Memorandum of Decision R 3631-2. Prior to that date Defendants had no meaningful information on the subject and in fact thought that the lining included conventional full length shims with the radial shims as an added feature.

In any event, several months prior to September 1954, in answer to an inquiry as to the effect of spaced shims, Defendants had given detailed advice to one of their other customers, *Riverside Cement Co.*, on how to bend over conventional shims to space them from the kiln shell. Finding 54, Memorandum of Decision R 3635-3636, Exhibit DX and Sauer testimony Tr. 5150-4.

Also in June of 1954, Petersen of Kaiser had reported on the use of such short shims by *Ideal Cement Co.*, Memorandum of Decision, R. 3636.

These and other events indicate clearly that Kaiser's UNITAB liner, the alleged embodiment of the stolen secrets, was developed entirely from information gained elsewhere than from Plaintiff and in increments, each of which predated any “disclosure” or even meaningful discussion of the same thing by Plaintiff. Finding 51, Memorandum of Decision R 3637 through 3640.

**The Conversations During Which Plaintiff Alleges Such Disclosures Were Made, Were Not, in Fact, Confidential, Nor Were They Intended or Understood by Either Party to Be Such.**

Plaintiff's continuing contention that *all* of the sales-man-customer conversations that took place in this case should be deemed to have been "in confidence" is perhaps the most bizarre of its many unusual contentions.

Appellant continues to argue, for example, that, although, as the court found, [Memorandum of Decision R 3621] Johnson did not indicate or believe that his conversation should be kept in confidence, nevertheless it should be held so as a matter of law. Appellant's Brief, p. 121, No authority is cited for this proposition.

Contrary to Appellant's argument, we believe that the circumstances that give rise to a confidential relationship are questions of *fact*, not law. See *Mycalex Corporation of America v. Pemco Corporation*, 159 F. 2d 907 at 912 (4th Cir. 1947) wherein the court considers the testimony of the parties to an alleged disclosure and affirms the trial court's finding that there was no disclosure "in confidence".

Moreover, it is clear from abundant evidence other than Johnson's testimony that the relationships surrounding communications such as the Johnson-Putnam conversation, were *not* confidential and that Plaintiff knew and intended that Kaiser would use information developed during such contacts to develop products which would be sold to any and all of its customers and not confined to products for Plaintiff. See Memorandum of Decision R 3618 through 3621.

Of foremost significance in the above noted body of evidence negating a confidential relationship is the tes-



timony of Mr. Bert Oberg, Plaintiff's General Superintendent of Operations\*. Here is what Mr. Oberg said as to information transmitted by Plaintiff to Kaiser salesmen:

"Q. Well, you believed, did you not, that they were going to use that information in their effort to sell brick to other customers, didn't you? A. Well, I think that would be a proper assumption.

Q. That was your assumption, was it not? A. Well, let's put it this way, that I would have no objection if they did use it.

Q. And you never did tell them that they couldn't use that information any way they wanted to, did you? A. No, I did not.

Q. And that went on for quite a period of time, didn't it? A. I don't understand.

Q. Well, this giving of information to Kaiser that you were willing that they use in any way they saw fit, that went on for a period of years starting in 1947 and continuing for many years thereafter, did it not? A. Well, we had no secrets as far as the use and installation of Kaiser basic brick, as far as the Kaiser people were concerned. So we gave—told them everything that we learned about it, and thought that such exchange of information would be helpful to us by them, by such information to improve their refractories and learn enough about the accuracy and need of improved manufacturing processes as to again serve us to better purpose in the future. That was the purpose of our cooperation with them.

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\*Unlike Plaintiff's Plant Superintendent Johnson, whom Appellant characterizes as a "lower echelon employee" [Brief, p. 121] Oberg was clearly one of Plaintiff's "policy making personnel" *Ibid*.

Q. In other words, you wanted Kaiser to make better lining materials so that you would get better linings if you bought them from Kaiser? A. That's right.

Q. And to that end you gave them such information as you had about the installation of Kaiser basic brick in your own kilns? A. We felt that we knew much more about the use of refractories installation and use of refractories than Kaiser does, or any other refractory manufacturer does, so we served our purpose, we thought we would serve our purpose well by keeping Kaiser as well informed about the experience that we had with refractories as we could.

Q. And did you feel that you, and by that I mean the Monolith Company, was going to be the sole beneficiary of the improved lining offered by Kaiser?

Mr. Elliott: Objection. That assumes a fact not in evidence.

Court: Overruled.

A. Our thought insofar as what you just asked was concerned did not apply to the situation. We were interested in our own use of Kaiser refractories. If anyone else, as a consequence of what we did to suggest improvements, benefited from that, well, that was just incidental.

Q. So you didn't—you knew that there was the possibility at least that others would benefit from your information given to Kaiser didn't you?

A. Well, certainly we didn't expect Kaiser to make one refractory for us and another refractory for someone else.

Q. Exactly. So whatever improvement in the Kaiser product resulted from the information you

gave them you realized would be of benefit to other customers of Kaiser, didn't you? A. I would say so.

Q. Now, did there ever come a time when you said to the Kaiser personnel, 'Now, in the past we have given you information about our linings and you have been free to use it in incorporating it in your products for other people, but from here on out you are not to use this information in that manner'?

Mr. Elliott: Objection, your Honor, as to the use of the word 'you'. A moment ago, Mr. Rieber carefully qualified what he meant by you, and I ask him to do it now.

Court: Overruled.

A. I know of no such time when I said any such thing to Kaiser.

Q. Do you know of any time when anybody else at Monolith made any such statement to Kaiser? A. Not insofar as the lining of basic brick was concerned." [Tr. 2972-2976].

We submit that the above testimony of Plaintiff's own "policy making" witness alone, completely refutes the contention that the Monolith-Kaiser communications *re* spacing *per se*, particularly the Johnson-Putnam conversation, were "in confidence."

Thus, Findings 41, 47 and 68 are solidly supported by the evidence and are not in any respect erroneous.

Plaintiff-Appellant continues to harp, as it did at trial, on a statement torn from its context in Exhibit JQ, the Davis-Schoonover letter of February 1, 1956 (about a year after the UNITAB liner first went on sale) Appellant's Brief, p. 125.

As the trial court said:

“This letter is the springboard for arguing that it operates to convert every conversation and every observation from the Johnson-Putnam telephone call of August 27, 1953, to date into a confidential communication. *It could not possibly be so understood by any reasonable person and the evidence against such concept is overwhelming.* Furthermore, plaintiff argues that since the sketches referenced in the letter show a space between the cold edge of the shim and the shell of the kiln, this letter constitutes a disclosure of spacing per se and acknowledges this to be a confidential disclosure. This is neither the intent nor the effect of the letter, but rather *a gross perversion of its terms and intent.*” (emphasis added) Memorandum of Decision R 3665.

The findings indicated in the above quotation were based not only on the documents mentioned in the court’s opinion but on the trial testimony of Rentsch, Schoonover and other witnesses.

The composite evidence, we submit, solidly supports Finding 65 which in turn disposes of Appellant’s current argument based on Exhibit JQ.

**Defendant’s UNITAB Liner Alleged to Incorporate Plaintiff’s Confidential Information Was, in Fact, Developed Entirely From Kaiser’s Own Knowledge and Information or That Obtained From Sources Other Than Plaintiff.**

Findings to the above effect are 51 through 65, 70 and 75 and evidence supporting such findings is discussed in the Memorandum of Decision at R 3634 through 3640. Such evidence is also discussed in Defendants’ post trial briefs at SR 150/pp 42-45; R 3119/pp. 11-17.

It bears emphasis that a very important part of the evidence supporting the above listed findings is the trial testimony of Sauer and Woodward, Plaintiff's own witnesses. Substantial corroboration was also furnished by Defendants' business records prepared *ante litem motam*, and by the deposition testimony of Ford.

Thus, we submit, the findings as to the independent development of Kaiser's UNITAB are solidly supported and not in any degree erroneous.

**The Commercial Success and Benefits of the UNITAB Did Not Result in Any Significant Degree From the Use of Spacing Therein But From a Combination of Other Features Unrelated to Spacing.**

Finding 52 is the basis for the above topic heading and that finding is supported by substantial evidence including Defendants' business records Exhibits MC and JX, the trial testimony of Miss Lloyd [Tr. 4056-4060] and Miller [Tr. 10096-98; 10113-10122], and the deposition testimony of Ford [Tr. 9875, 9880, 9925 and 9948].

See also Memorandum of Decision R 3675-3677.

Clearly Finding 52, like all others, is supported by substantial evidence and not erroneous.

It will be noted that the effect of spacing used in the UNITAB (T-3) [Exhibit JX] is that which Plaintiff concedes to be an elementary principle of physics [Memorandum of Decision R 3614] and not part of Anderson's invention.

Note also that this "spacing" feature was precisely described by Davis in Exhibit DB on September 10, 1953, prior to the earliest date on which Anderson could have made the invention according to Plaintiff's proof. See Finding 91.

## The Confidential Information Cause Was, in Any Event, Barred by the Statute of Limitations.

Defendants sought to dispose of the confidential disclosure (tort) causes at the beginning of trial and again at the close of Plaintiff's case, on the ground that these causes were barred by the two year Statute of Limitations as construed in *Thompson v. California Brewing Company*, 150 Cal. App. 2d 469 (1957); *Thompson v. California Brewing Company*, 191 Cal. App. 2d 506 (1961). See "Pre-Trial Memorandum of Defendants *re* Order of Proof" R 1573-1581. Additional authorities bearing on the Statute of Limitations question are set forth in said memorandum and need not be repeated here.

Plaintiff's memorandum in opposition to our first motion on this subject appears at R 1639-1662. Significantly. Nothing is said in Plaintiff's memorandum about a "continuing tort", Plaintiff's denial of the applicability of the Statute being predicated entirely on its contention that Kaiser was guilty of fraud which either tolled the statute or made the three year Statute applicable.

The limitation of action issue was again raised as one ground for our motion to dismiss at the close of Plaintiff's case. SR 150/pp. 82-93.

Again, Plaintiff did not raise the "continuing tort" defense to the motion but continued to rely on Defendants' alleged fraud. Plaintiff's brief on motion R 2829/pp. 205-232.

Now that the trial is over and the court has found that Defendants were *not* guilty of any fraud and that the confidential disclosure tort causes are barred [Finding 73], Appellant raises for the first time the theory that Defendants' acts here were "continuing torts" and some of them were within the statute. Appellant's Brief, p. 139 *et seq.*



It is believed to be well established that Appellant should not be permitted to raise this point for the first time on appeal. *Eason v. Dickson*, 390 F. 2d 585 at 589 (9th Cir., 1968). If Appellant's present argument had been raised below, Defendants could have shown that it was without merit for various reasons including the estoppel and laches inherent in Plaintiff's lack of candor in concealing its conclusions in June of 1955 that Defendants infringed. See Memorandum of Decision R 3650; R 3683-4 and R 3690.

Appellant has also challenged (Appellant's Brief, p. 141) our citation of *Thompson v. California Brewing Co.*, as stating the law as to limitation of actions in California. In this Appellant has failed to note that there are *two* reported opinions in the above case, *viz.* at 150 Cal. App. 2d 469 (1957) and at 191 Cal. App. 2d 506 (1951). These two opinions were both cited and discussed in our brief before the trial court. See SR 150/p. 93 incorporated by reference in Defendants' post trial brief R 3119/p. 33.

Contrary to Appellant's assertion in its brief, *Thompson did* involve an alleged tort of breach of confidence and a count based on such theory was held to be properly dismissed as barred by the two year statute. See *Thompson v. Calif. Brewing Co.*, 150 Cal. App. 2d 469 at 474 (footnote) and 477.

Contrary to the case at bar, in the *Underwater Storage* case (371 F. 2d 950) cited by Appellant on page 140 of its brief, the question of whether or not a "continuing tort" was involved, *was* raised in the trial court. See 371 F. 2d 950 at 952. Also, and more

important, the cited case was decided on a motion for summary judgment whereas the issue here was resolved under plenary trial.

In *Underwater Storage* moreover, the court was at pains to point out that in order to avoid the statute, the Plaintiff must show that some *wrongful* use took place within the statutory period. See 371 F. 2d 950 at 953. In the case at bar, no such showing was made and, indeed, as we will note below, none could be.

Even assuming *arguendo* that some misappropriation took place prior to June 1955 when Plaintiff first learned facts from which it secretly (and erroneously) concluded “infringement” [Exhibit GK], no misappropriation could take place after June 1956 (start of statutory period) if, through no fault of Defendants, the once-secret information was then public. This is exactly what happened here. *Plaintiff itself* published the alleged confidential information more than two years prior to filing the action. See evidence on this discussed in our post trial briefs, SR 150/pp. 72-76; R 3119/pp. 26-32. Also, competing companies, to Plaintiff’s and Defendants’ knowledge, appeared on the market in Southern California with kiln liners embodying a basic brick and short shim combination thus indicating that what Plaintiff alleged to have been secret was, in fact, well known in the trade by the end of 1955 at the latest. See Exhibit FN (General Refractories, Feb. 1955) and Exhibit HG (Harbison Walker, August 1955).

Applicant’s citation on this point of *Titcomb v. Norton Company*, 208 F. Supp. 9 as “affirmed (2nd Cir.

1962) 307 F. 2d 253” is inaccurate in that the unfair competition counts, barred by the statute, were dropped from the appeal and the appellate court never considered or passed upon the correctness of the proposition quoted on page 141 of Appellant’s Brief. See *Titcomb supra*, 307 F. 2d 253, footnote 1, page 254.

In any event, neither the *Underwater Storage* nor *Titcomb* cases considered facts analogous to those in the case at bar.

Also, as noted above, Plaintiff deliberately concealed its conclusion in June of 1955 that Defendants were stealing Plaintiff’s ideas and were guilty of infringement, hoping to trap Kaiser into accepting a license. Findings 60, 61 and 67; Memorandum of Decision R 3682-3684. Thus, in equity, Plaintiff is in no position to contest the application of the Statute of Limitations.

Thus, it is clear that Appellant’s “continuing tort” theory is not applicable to the present case and would have been promptly disposed of had it been raised in the trial court.

THE AWARD IS INDEPENDENTLY JUSTIFIED UNDER THE TRIAL COURT'S GENERAL EQUITY POWERS TO COMPENSATE A PREVAILING PARTY SUBJECTED TO VEXATIOUS LITIGATION.

After the trial court handed down its Memorandum of Decision in June 1966, Plaintiff associated new counsel. New counsel embarked on a campaign to convince the trial court that what Plaintiff had theretofore insisted were "inextricably intermingled" issues relating to the same basic facts, were in reality separate and compartmentalized issues—mostly non-patent. New counsel further argued that the services of Defendants' attorneys could be similar compartmentalized and that any award should be allocated only to such services as related *solely* to defense of patent issues.

The court carefully considered such argument but on the basis of its intimate knowledge of the case since its inception, rejected it, explaining its reasons in detail in its order of October 17, 1966 [R 4510] and in its Supplemental Memorandum of Decision of January 6, 1967. R 4665 although the court based its award of attorneys' fees solely on the provisions of 35 USC 285 (award of fees in "exceptional" patent cases) it also noted that:

"There is authority for the proposition that the Court may award attorneys' fees as costs in non-patent claims when such claims are unconscionable, the equivalent of fraud, in bad faith or solely for purposes of vexation and harassment." [citing *Sprague v. Ticonic National Bank*, 307 U.S. 161, 59 S. Ct. 777 (1939) and a line of following cases including *Carter Products, Inc. v. Colgate-Palmolive Co.*, 214 F. Supp. 383 (D.C. Md. 1963) wherein an award of some \$500,000 attorney fees was

made based in substantial part on the rule quoted above.] “. . . An award of attorneys’ fees in this case could be based upon this authority”. R 4669-70.

The trial court further said:

“The award made in this case is within the authority of the statute, [35 USC 285] consistent with its purpose and, at the same time, is in an amount which should be awarded in the exercise of sound discretion to prevent injustice under the Court’s general equity power.” R 4670.

Appellant has vigorously attacked the above quoted statements by the Trial Court as contrary to law. Appellant’s Brief, pp. 24-31. Also, in an obvious attempt to escape application of the ruling in the *Carter Products* case, *supra* (214 F. Supp. 383) Appellant argues at several points in its brief (*e.g.*, p. 27) that even if the rule stated by the trial court is corrected, it should only be applied against a vexatious defendant, *qua* “defendant”, and not against a vexatious plaintiff\*.

We respectfully submit that the Appellant is wrong on both counts and that the rule stated by the trial court is correct law and applies with equal force to all vexatious litigants whether plaintiffs or defendants.

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\*In urging that a distinction should be made as between awards to plaintiffs and awards to defendants simply on the basis of the parties’ posture in the suit, Appellant alleges that its “diligent search” found that the largest award to a prevailing defendant in a reported patent case was \$40,000. Appellant’s brief, p. 104. Appellant’s diligent search apparently overlooked the case of *Rayonnier, Inc. v. Georgia Pacific Corp.*, 156 U.S.P.Q. 110 (D.C. W.D. Wash. 1967) wherein the *defendant* in a patent case represented by Appellant’s present counsel, received an award of \$50,000. We are advised that counsel for defendant in that case (and for Appellant herein) cited the case at bar as authority for the award to defendant in that case.

Accordingly, assuming *arguendo* that, contrary to Plaintiff's repeated assertions during trial, some part of the services of Defendants' attorneys was entirely unrelated to any patent issue, the award was none-the-less correct in law as explained below.

**Sprague v. Ticonic Affirms the Historic Equity Jurisdiction of Federal Courts to Award Counsel Fees in Appropriate "Exceptional" Cases and the Rule Is Not Limited to "Common Fund" Cases.**

While *Sprague v. Ticonic*, 307 U.S. 161, 59 S. Ct. 777 involved an award of counsel fees in a species of so-called "common fund" case, the rule and principle stated therein were not stated to be limited to such cases but were obviously intended to have much wider application. Note this language:

"Whether action by the District Court on the merits of the petition [to award counsel fees] was foreclosed by this Court's mandate in *Ticonic Bank v. Sprague*, *supra*, and was further limited by restrictions which terms of court may impose, are questions subsidiary to the power of federal courts in equity suits to allow counsel fees and other expenses entailed by the litigation not included in the ordinary taxable costs recognized by statute.

"Allowance of such costs in appropriate situations is part of the historic equity jurisdiction of the federal courts. The suits 'in equity' of which these courts were given 'cognizance' ever since the First Judiciary Act, 1 Stat. 73, constituted that body of remedies, procedures and practices which theretofore had been evolved in the English Court of Chancery, [footnote omitted] subject, of course,



to modifications by Congress, e.g., *Michaelson v. United States*, 266 U.S. 42, 45 S. Ct. 18, 69 L. Ed. 162, 35 A.L.R. 451. The sources bearing on eighteenth-century English practice—reports and manuals—uniformly support the power not only to give a fixed allowance for the various steps in a suit, what are known as costs ‘between party and party,’ but also as much of the entire expenses of the litigation of one of the parties as fair justice to the other party will permit, technically known as costs ‘as between solicitor and client.’” (emphasis added) 307 U.S. 161 at 164-6.

Appellant contends that the rule of *Sprague v. Ticonic* must be limited to “common fund” cases and has no application to vexatious litigation cases. Appellant’s Brief, pages 26-31. We earnestly submit that Appellant’s view of the law on this point is wholly incorrect.

*Sprague* is frequently cited as authority for awarding counsel fees in “vexatious litigation” cases. Among the more important cases citing *Sprague* in support of such awards is *Carter Products, Inc. v. Colgate-Palmolive Co.*, 214 F. Supp. 383 (D.C. Md. 1963).

Fundamentally, the facts and circumstances of *Carter* are very similar to those of the case at bar, particularly in that both patent and non-patent issues were involved. The only difference which Appellant is able to point to is that the award in *Carter* went to a prevailing *plaintiff* whereas the award went to Defendants in the present case.

Appellant deprecates the *Carter* opinion, referring to it as “one more paste-board in the house-of-card line of authority”. Appellant’s brief, page 30.

*Carter* and *Sprague* may not so easily be disposed of.

First, we note that there were several opinions reported in *Carter*. The initial decree awarding fees for services in both branches of the case (leaving the amount to be determined later) was entered in 1955 [130 F. Supp. 557] and, with a slight modification not pertinent here, affirmed in the 4th Circuit in 1956 [230 F. 2d 855]. Petition for Certiorari was denied. 352 U.S. 843, 77 S. Ct. 43.

Thereafter, the matter was submitted to a master for determination of the amount of fees to be awarded under the decree and in 1963, the trial court's opinion and judgment was entered affirming the amount of the award [214 F. Supp. 383].

It is in the last noted opinion that *Sprague* was cited and its application to the situation then before the court was explained. See 214 F. Supp. 383 at 413-416. The amount of fees awarded in that case was in excess of \$500,000 for services in connection with a six week trial (See 230 F. 2d 855 at 866). Here the trial covered 19 months and the parties were actually in court during about 22 weeks of that period.

No allocation was made in *Carter* as between respective services rendered in connection with the patent phase and the trade secret phase of the case, the court stating in effect that no such allocation was required because of the inherent equity power of the court to award fees in the trade secret phase even in the absence of a statute. (214 F. Supp. 383 at 414-415). The authorities relied upon to support this inherent power, including *Sprague*, are those relied upon by the trial court in the case at bar.

Appellant argues that the inherent equity power to award counsel fees, reiterated in *Sprague*, should be limited to "common fund" cases. This is not the law.

The noted authority, Professor Moore, has reviewed the line of authorities that follow the *Sprague* principle, and after a discussion of *Sprague v. Ticonic*, states:

“The equitable power is *not confined to the fund cases*. It is sufficiently broad that a federal district court may award attorney’s fees in favor of one party and against another, where *an unfounded action* or defense is brought or *maintained* in bad faith, vexatiously, wantonly, or for oppressive reasons.” (emphasis added). 6 Moore Federal Practice 1352 (1966 Ed.)

Moore’s above quoted statement of the inherent power of federal courts to award counsel fees in exceptional cases has received very recent approval by the U. S. Supreme Court in *Newman v. Piggie Park Enterprises*, .... U.S. ...., 88 S. Ct. 964 (March 18, 1968). In construing the intent of Congress in providing for awards of attorneys’ fees to prevailing plaintiffs in civil rights cases, the Court observed that no act of Congress was required to award fees in cases of litigation conducted in bad faith, vexatiously, wantonly, or for oppressive reasons citing 6 Moore 1352 as its sole authority for the statement. 88 S. Ct. 964 at 966 footnote 4.

It will be observed, of course, that the *Piggie Park* case involved a disputed award to a plaintiff and the Court couched its statement accordingly. However, nothing appears in the opinion that would indicate that such nonstatutory awards are limited to plaintiffs and Moore, the only authority cited, clearly holds to the contrary and indicates that the principle is applicable equally to both plaintiffs and defendants.

## There Is No Authority or Reason in Equity or Logic for Favoring Plaintiffs and Disfavoring Defendants in the Award of Attorneys' Fees.

At several points in its brief, Appellant postulates that whatever law there may be, statutory or otherwise, authorizing awards of counsel fees in exceptional cases, such law under "American policy" favors awards to plaintiffs but not to defendants. See, *e.g.*, Appellant's Brief, pages 27-30 and 103-106.

Appellant's attempts to support the proposition consist primarily in an argument that our American system of jurisprudence exalts free access to the courts and to award counsel fees against a losing plaintiff discourages such resort to the courts.

We agree, of course, that in this country "... attorneys' fees are not *ordinarily* recoverable in the absence of a statute or enforceable contract providing therefor." *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714 at 717, 87 S. Ct. 1404 at 1407 (1967) (emphasis added). But Appellant's argument loses sight of the fact that this is *not* an "ordinary", but an *exceptional* case and the basis of an award in the "exceptional" case is the bad faith; the vexatious, malicious or oppressive conduct of the losing party. Where is it written in the annals of American jurisprudence or elsewhere that such a vexatious litigant should not be discouraged from using the courts to harass others?

We submit that the law is exactly the other way and that where, as in the case at bar, the very foundations of a plaintiff's claims are tainted with fraud and chicanery and where plaintiff persists long after knowledge of the lack of merit in its cause and engages in dilatory and harassing tactics, the case becomes "exceptional" and justice requires that such a plaintiff

bear the costs of such litigation—his own and his opponents. If this policy discourages vexatious litigants from entering the judicial arena, so much the better.

This also answers Appellant's contention as to the law in the State of California. Appellant's Brief, pages 31-32. Note that the *Freeman* opinion quoted by Appellant (Brief, p. 32) is qualified by the word "ordinarily".

To do as Appellant suggests and deny award against vexatious plaintiffs merely because they are "plaintiffs" would be to make the courts instruments of coercion and blackmail. We submit that an important basis for the inherent equity powers referred to in *Sprague* and the cases following it, is to discourage just such result.

Appellant argues that the line of cases such as *Sprague* and *Carter*, supporting non-statutory awards of counsel fees in exceptional cases has been "swept away" by this Court in *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 359 F. 2d 156 (9th Cir. 1966) aff'd 386 U.S. 714; 87 S. Ct. 1404 (1967). Appellant's Brief, page 29.

In our view, this contention is at best, an unwarranted exaggeration particularly in view of the *Piggie Park* case, *supra*, 88 S. Ct. 964 (March 18, 1968) wherein, as late as March of this year, the Supreme Court again gives its approval to Professor Moore's recapitulation of the principle of the line of cases which Appellant attacks.

Moreover, the *Maier* opinion, as we read it, does not by its own terms, apply to *non-statutory* awards of counsel fees at all. The case merely states the rule that where Congress has provided a statutory cause of action together with intricate remedies therefor [*e.g.*, the Lanham Act], ". . . other remedies [*e.g.*, an award of counsel fees] should not be readily implied" *Fleisch-*



*mann v. Maier, supra*, 386 U.S. 714 at 719-20, 87 S. Ct. 1404 at 1408 (1967).

In other words, the prevailing plaintiff in *Maier* was entitled to costs and damages which could in appropriate circumstances be *trebled* and, as this Court observed, Congress knows how to provide for attorneys' fees to prevailing parties if it so desires and did not do so in the Lanham Act under which *Maier* was tried. Thus, it is easily inferred that Congress intended the treble damages provision to be sufficient remedy for plaintiffs and that as this Court observed, "it would be piling Pelion on Ossa to provide for attorney's fees as well" *Maier, supra*, 359 F. 2d 156 at 160.

But no such considerations apply here. The trade secret cause is *not* a statutory cause of action providing "intricate remedies" or indeed, *any* statutory remedy for defendants who are subjected to vexatious trade secret actions.

Furthermore, the reasoning of the *Maier* case does not apply in terms to defendants since a defendant has everything to lose and nothing to gain by such an action.

But, if Appellant's theory of the law were to be adopted, and applied to non-statutory actions, a plaintiff would have everything to win and nothing to lose. He could be as vexatious as he liked and if such tactics harried the defendant into a coerced settlement, he would win. If not, he would lose nothing but his own expenses and minor "taxable costs."

Fortunately for our jurisprudence, Appellant's view does not prevail. As shown by Moore's analysis, above cited and approved by the Supreme Court in the *Piggie Park* opinion *supra* (88 S. Ct. 964 at 966) our Federal courts still have the inherent power under principles of equity and justice to cast upon the vexatious litigant the cost of his own harassment.



## CONCLUSION.

As the Trial Court observed, this case was exceptional not only by reason of Plaintiff's fraud, lack of faith in the validity of its claims and unnecessary prolongation of the trial, but also because of the manner of Plaintiff's presentation of the case which—

“... from the discovery stage through the motion and pretrial stage and throughout the trial itself made it impossible to separately treat the evidence which was relevant and material to the patent count (Count Six) and its defenses from the evidence relevant and material to the other counts.”

Supplemental Memorandum of Decision R 4665.

The trial judge presided over the case during all of the time he referred to above and was thus in a position (not enjoyed by Appellant's newly associated appeal counsel) to assess the motives of both parties and their counsel during trial and to make an informed judgment as to which party was responsible for these “exceptional” aspects of the case. See Order re Objections to Plaintiff's Interrogatories, etc. R 4511-12.

Moreover, the trial judge was in a position to evaluate and take into consideration all countervailing equities in favor of Plaintiff and apply such considerations in his determination of the amount of the award.

He obviously did so in reducing to \$280,000 the attorneys' fees in excess of \$424,000 actually paid by Defendants in defense of this action. See Supplemental Memorandum of Decision R 4667-4670 and Findings 137 and 138.

We submit that the patience and amount of time and consideration given by the trial judge in this case to the attorneys' fee question—as well as to every aspect of the trial and evidence—is yet another excep-

tional aspect of the case. Findings and Judgment based upon such consideration of the supporting evidence and careful application of the law thereto should not be disturbed.

Wherefore, we respectfully urge that the Judgment below be *affirmed* in all respects.

We further request, on the authority of *Twentieth Century Fox v. Goldwyn*, 328 F. 2d 190 at 226 (9th Cir. 1964) that this Court in affirming the Judgment, award additional reasonable attorneys' fees incident to this appeal.

Respectfully submitted,

WILLIAM K. RIEBER,  
PETER ANDERSON,  
RICHARD A. BARDIN,  
THELEN, MARRIN, JOHNSON &  
BRIDGES,  
FULWIDER, PATTON, RIEBER, LEE &  
UTECHT,

*Attorneys for Appellees.*



### Certificate.

I certify that in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit and that, in my opinion, the foregoing brief is in full compliance with those rules.

WILLIAM K. RIEBER

